





## NEWS: INTERNATIONAL

# Prosecutors to question VW chairman

By Christopher Parkes in Frankfurt

CRIMINAL investigators probing the suspected theft of General Motors' industrial secrets by Volkswagen executives plan to question Mr Ferdinand Piech, group chairman, He and Mr Jose Ignacio Lopez de Arriortua, the company's production director at the centre of the investigation, would be interrogated "as sure as they say amen" in church, the Darmstadt prosecutors' office said yesterday.

But legal officials would first have to complete their examination of a haul of documents and computerised information seized from the vehicle group's Wolfsburg headquarters in a raid on August 25.

The office recently suggested Mr Piech would not be called because, a spokesman said, "he is not a suspect".

An interim report on a private probe within VW, presented to the group's supervisory board yesterday, contained "no findings to warrant industrial espionage accusations," the company said in a statement last night.

Officials said after an all-day meeting of the board that Mr Piech and Mr Lopez would not be leaving.

The investigations involving Mr Lopez and three associates, who left the General Motors group in March, are primarily concerned with suspicions of the systematic theft of secrets from Adam Opel, GM's Ger-

man subsidiary.

The supervisory board, which appoints and oversees the work of executive directors, was also told yesterday that group profits in 1993 could be adversely affected by poor performance at the Opel subsidiary in Spain and in north American and Asian-Pacific markets.

However, the German parent and the group would show a profit in the third quarter after a DM1.6bn (\$846m) loss in the first half.

The statement issued after the board session once again showed signs of a retreat from earlier declarations that the company would break even or return to profit this year, and that Mr Lopez would remain until he had been found guilty.

The supervisory board also reinstated Mr Ulrich Seifert as main board research and development director with immediate effect. He was removed in mid-March on the same day Mr Lopez was appointed.

The criminal investigation, under way since mid-May, shows no signs of an early conclusion.

The VW supervisory board, which appointed auditors KPMG Deutsche Treuhänder on August 13 to carry out an independent probe, said yesterday it expected a full report by the end of October.

However, KPMG will have no access to the 30 computers and quantities of documents and diskettes seized recently by the legal authorities.

# EC to probe glass merger

By Andrew Hill in Brussels

THE European Commission has opened a full inquiry into the proposed acquisition of Societa Italiana Vetro (the Italian state glass company, by Pilkington, the UK glass group, and Techint Finanziaria, its Italian-Argentine partner.

The £210bn (\$27m) deal will be suspended for up to four months, while the Commission's merger control task force assesses its impact on competition in the EC. The buyers provided for regulatory delays when drawing up the purchase contract.

If the Commission decides the takeover is anti-competitive it could ask for changes to the deal or block it outright. Brussels has only outlawed one proposed merger in the three years since the EC merger regulation took effect.

The Brussels authorities did not explain their initial doubts

about the deal. In a statement issued following a month-long preliminary investigation, the Commission said the merger would reduce the number of "major Community (flat glass) suppliers" to five, and give Pilkington a position very close to the market leader, Saint Gobain of France.

The sale of SIV is the first large disposal in the liquidation of Edim, the Italian state holding company. It would raise Pilkington's profile in Italy and Spain and strengthen its position in automotive glass. SIV is the biggest European producer of car glass.

The Commission has rejected a complaint by Ladbroke, the British bookmaker, hotels and property group, against a preferential betting system linking the Belgian tote operators with their French counterparts. Ladbroke said it would raise the matter at the European Court of Justice.

# Italian judge accused of corruption

By Robert Graham in Rome

MR Diego Curto, one of the most senior judges in the Milan judicial system, was yesterday arrested on charges of corruption linked to the 'Enimont' affair.

His arrest followed well-publicised leaks from Milan investigating magistrates that he had allegedly accepted a bribe of £20m (\$33,000) as a result of his role in the complex judicial proceedings surrounding the reorganisation of the chemicals industry in 1990.

It is the first time a leading judicial figure in northern Italy has been

arrested since the corruption scandals came to light 16 months ago. One of the most disturbing features of the allegations is that he was purportedly receiving money as late as July this year.

The arrest sheds further light on the murky events surrounding the end of Enimont, the chemicals' venture between the Ferruzzi group's Montedison and ENI, the state oil concern.

Mr Curto, a Sicilian-born judge who has written seven novels, has been under investigation since the beginning of August. His arrest follows the reported confession of Mr Vincenzo Pal-

ladino, former deputy chairman of the major state commercial bank, Comit.

Mr Palladino, a political appointee at Comit of the Socialist Party, was arrested on charges of corruption on July 29 and released by Milan magistrates from jail to house arrest on Wednesday. Mr Palladino played a crucial role in the battle for control of Enimont when Mr Raul Gardini, the former head of Montedison, sought to obtain a controlling stake through friendly third party shareholders.

Mr Gardini's move was blocked by the Milan courts on the orders of Mr

Curto, who froze dealings in the shares in November 1990. The shares were then placed under the tutelage of Mr Palladino for 22 days.

During this period a deal was worked out between Mr Gardini on the one hand and ENI and its political masters on the other. This allowed ENI to purchase Montedison's 40 per cent stake for an inflated £2,800bn and that of the third parties for £1,400bn. Out of the inflated price Mr Gardini is alleged to have paid at least £120bn in bribes, mainly to the Socialists and Christian Democrats.

# Hungary reburies its wartime leader

Nicholas Denton charts the mixed emotions raised by the return of Miklos Horthy

HISTORY in eastern Europe has a disturbing tendency to rise up from the grave to haunt the living. Hungary's deceased leaders make a particular habit of it.

The latest is Miklos Horthy, disinherited from his resting place in Portuguese exile, who is to be grandly reburied today in the family tomb at Kenderes in the great plain of Hungary.

While generally one of the more forward-looking of the new democracies, Hungary has a rather morbid practice of digging up and then reburying long-dead leaders.

The reburial of nationalist communist Laszlo Rajk marked the end of Stalinist terror. That of Imre Nagy, prime minister during the failed 1956 uprising against Soviet occupation, signalled the bankruptcy of communist rule in Hungary in 1989.

There is also a touch of the comic to the figure of Horthy, the sailor on a white horse, admiral of a country without a sea, and regent of a kingdom without a king.

Nevertheless, nearly 40 years after his death, Horthy remains a powerful and controversial symbol.

Anti-semitic, war criminal, Nazi ally, revisionist and moral coward to some Hungarians, he was above all a tragic hero, noble anti-communist and patriot to others, including the governing conservatives.

Critics of Horthy say he allied with Nazi Germany; his defenders counter that he preserved Hungary's tattered sov-



Hungary's leader Miklos Horthy visits Hitler in Kiel, northern Germany, on 22 August, 1938

ereignty - and the lives of many Jewish refugees - for as long as he could.

Horthy stood by as German occupation forces in 1944 transported hundreds of thousands of rural Jews to their deaths in

Nazi concentration camps; but he blocked the deportation of Budapest's Jews.

"I consider Miklos Horthy a Hungarian patriot...he should be placed into the continuity of the nation and the awareness

of the people," states Jozsef Antall, prime minister of Hungary.

Today's ceremony in Kenderes is not an official state funeral. But many ministers will attend nevertheless and state television plans to provide live coverage. The state mint has even issued coins to commemorate the event.

But liberal and Jewish groups are outraged at the public homage to a ruler they say acquiesced in persecution of Hungary's Jews.

For the Horthy reburial has touched nerves already frayed by the recent formation of the far-right Hungarian Justice Party by anti-semitic writer Istvan Csaruka.

Jewish organisations protested yesterday against the "revival of the spirit of the interwar years" outside the ghetto memorial to the 600,000 Hungarian victims of the Holocaust.

At the same time the Democratic Charter, a liberal group led by some of Hungary's leading intellectuals, had a "final farewell" to the Horthy system.

Horthy's attitude towards Hungary's Jews may have been ambiguous. There is less room, however, to interpret the Regent's single-minded campaign to reverse the Trianon peace settlement which took away two thirds of Hungarian territory after defeat in the First World War.

The Regent's alliance with Hitler allowed him to regain territories from Slovakia, Romania and then Yugoslavia

between 1938 and 1941. Hungary is in its neighbours' eyes, therefore, honouring the arch "revisionist" and underlining its current reluctance to ensure existing borders in bilateral treaties.

**'We can't ask every day what the reactions of Romanians, Slovaks and Yugoslavs are going to be'**

"It feeds suspicion about what Hungary's real aims are," says Miklos Haraszti, MP of the opposition liberal Free Democrats.

Suspicion is all it is, say conservatives, who deny any territorial ambitions and reject charges that the reburial of Horthy is insensitive.

"We must be allowed some patriotic feelings: we can't ask every day what the reactions of Romanians, Slovaks and Yugoslavs are going to be," says Istvan Bethlen, MP of the governing Hungarian Democratic Forum.

For supporters of the public reburial of Horthy, the last line of defence is that the Regent was part of Hungary's past. "It is something that had to be done," says state secretary Tamas Katona. "We are paying homage to a quarter of a century of Hungarian history." Some would prefer to forget.

# UN warns over shelter for Bosnians

By Laura Silber in Geneva and Gillian Tett in London

THE United Nations yesterday warned that almost 3m people would need shelter in Bosnia this winter if the warring sides failed to reach a peace settlement to end the 17-month war.

There are now 1m more displaced refugees and affected people in Bosnia than this time last year, Mr Santiago Romero Perez, UN High Commissioner for Refugees spokesman said yesterday.

Although 2.25m people in Bosnia are now dependent on food aid, the UNHCR only managed to deliver 53 per cent of

requirements during the first seven months this year, he added.

His comments came as UN officials warned there could be an upsurge in fighting in Bosnia following the collapse on Wednesday of the latest round of Geneva peace talks. But as the three sides in the conflict pondered their next moves yesterday, the UN protection force in Zagreb reported that Bosnia remained relatively quiet.

With the international mediators insisting the three sides had been very close to a settlement, hopes remain that the parties will eventually be persuaded to return to talks.

One US official yesterday said: "If

you look at the details they are much closer than they have been before - these are quite small bits of land they are talking about."

Since the talks broke down, western governments, led by the US, have stepped up pressure on Serb and Croat leaders to give in to Muslim demands for further territory.

The key sticking points are the Muslim demands for a sea outlet to the Adriatic at Neum, an enlargement of the northern Muslim enclave of Bihać, and a land link between Sarajevo and the eastern Muslim enclaves.

Serbian President Slobodan Milosevic is anxious to reach a settlement to win

the lifting of sanctions imposed 15 months ago to punish Serbia for its violent division of Bosnia. However Mr Radovan Karadzic, Bosnian Serb leader, yesterday brushed aside a US warning that Nato could intervene with air strikes if fighting escalated.

US and British officials have threatened to impose sanctions on Croatia for Bosnia's partition. But Mr Franjo Tudjman, Croatian president, on Thursday appeared intransigent when his Council for Defence and National Security rejected the Muslim demand for access through the Croat mini-state to Neum, a fishing village on Bosnia's patch of Adriatic coast.

# Balladur's popularity rises despite economic problems

By John Riddling in Paris

FRANCE'S unemployment rate is at 11.7 per cent and rising. Two of the government's principal policies - a strong franc and European union - have been undermined by the crisis within Europe's exchange rate mechanism. But polls released this week show Mr Edouard Balladur, French prime minister, is more popular than ever.

A survey to be published today in Le Point, the weekly magazine, finds that Mr Balladur is the only conservative politician who would beat left-wing rivals in presidential

elections scheduled for 1996.

According to the poll, Mr Jacques Delor, the socialist European Commission president by 87 per cent to 33 per cent in an electoral contest. He would defeat Mr Michel Rocard, the defeat socialist candidate, by 86 per cent to 31 per cent.

Equally significantly, a Louis Harris poll published in the Globe Hebdo magazine earlier this week, showed Mr Balladur was much more popular than Mr Jacques Chirac, leader of the prime minister's Gaullist RPR party.

According to the poll, 67 per

cent of those asked believed Mr Balladur had a better chance of being elected president in 1995 and 82 per cent thought he would do a better job than Mr Chirac.

Most political analysts believe the explanation for the prime minister's popularity is a result of his competent image and his unpopularity in the face of a series of problems ranging from the European currency crisis to the recession-hit French economy. They also point to the peaceful "cohabitation" between Mr Balladur and the socialist president François Mitterrand.

# Rutskoi backed by parliament

THE RUSSIAN parliament yesterday rejected President Boris Yeltsin's decree suspending Vice-President Alexander Rutskoi from his functions and referred the move to the constitutional court, writes Leyla Boulton in Moscow.

If found to be unconstitutional, the controversial presidential decree could open the way for the Congress of People's Deputies, or full parliament, to impeach Mr Yeltsin under a "poison pill" amendment which is supposed to be triggered by any presidential act violating the constitution.

The parliament's response, an inevitable and predictable escalation of the political struggle in Moscow, must have

been expected by the president when he issued his decree on Wednesday.

Although Mr Yeltsin insisted yesterday that he had done nothing to violate the constitution, it is probable that the president is past caring as he struggles to deal a final blow to parliament and to his vice-president. Mr Rutskoi, who has been the standard-bearer of the opposition, said yesterday he was starting a pre-campaign for presidential elections.

Mr Oleg Lobov, a first deputy prime minister who is particularly close to the president, said that Mr Yeltsin plans to use a new Federation Council to bypass parliament in order

to obtain a new constitution and new elections. He proposes to abolish the vice-presidential post by making no provision for it in the new constitution.

The Council, for which the legal documents were now being drawn up, would act as a "weighty state organ" to approve major legislation on the way Russia is run," he told a news conference yesterday.

Also predictably, the parliament left intact that part of the presidential decree which suspended Mr Vladimir Shumeiko, the first deputy prime minister who like the vice-president has been accused of profiting from state imports of baby food. Mr Yeltsin said he was suspending both men temporarily until the allegations were sorted out.

But the growing breach within the Russian cabinet over economic reform was amply illustrated by Mr Lobov's public demand for big changes in the government's mass privatisation programme.

He said Russia should cut the amount of state property to be given away for privatisation vouchers and sell more for cash to raise budget revenues and provide more state funds for industrial investment.

Under amendments it passed yesterday in defiance of a presidential veto, the Russian parliament gave itself and local parliaments the right to supervise media programmes.

# Romania struggles to secure IMF standby agreement

Unemployment and strikes are continuing to plague the government's flagging reform efforts, writes Virginia Marsh

A ROMANIAN delegation leaves for Washington this weekend in a last-ditch attempt to secure a 1993 standby agreement with the International Monetary Fund and restore confidence in the country's flagging reform efforts.

A successful outcome to the talks would unlock some \$10n (\$2bn) in badly-needed foreign credits and boost the fragile minority government of Mr Nicolae Vacaroiu, which is coming under increasing attack from opposition parties, trade unions and its own political supporters.

Opposition parties have stepped up their criticism of the government following last weekend's cabinet reshuffle which saw the removal of four



Cosma: new strike threat

ministers including Mr Misu Negritoiu, who was considered the government's key reformer.

Opposition leaders say the

reshuffle will do nothing to improve the cabinet's ability to govern and have lodged a parliamentary motion demanding the removal of the finance and interior ministers and the government's chief of staff, who have all been named in a corruption scandal sparked off by the dismissal of the head of the Financial Guard.

Nationalist parties, on whom the ruling party, the recently renamed Social Democracy party of Romania (SDPR), relies to stay in power, have been angered at their failure to secure a cabinet post and are threatening to withdraw their support. Mr Gheorghe Funar, the fiery nationalist mayor of Cluj in the north-west, has also threatened to seek the impeachment of President Ion

Iliecu if bilingual signs are introduced in ethnically mixed areas such as Transylvania. But Romania's application for imminent membership of the Council of Europe has been tied to improved treatment of the country's ethnic minorities.

The government also faces increased labour militancy in the wake of two significant strikes last month. The industry ministry says more stoppages are inevitable. "Workers will only feel the full effect of this summer's price hikes when they receive their winter heat and food bills," an official said. Recent price liberalisation has added to triple digit inflation and the biggest price rises since the overthrow of the Ceausescu regime in 1989.

If the government, under pressure from the IMF and World Bank, restructures state enterprises, workers will soon also face mass unemployment for the first time. Until now only a quarter of the 1m unemployed, 9 per cent of the workforce, have lost their jobs through forced redundancy, according to the unions.

Politically the SDPR, which won last year's elections by promising slower and less painful reforms, has not prepared the country for the hard times which lie ahead. A privatisation official said: "In May, the government falsely said it could cover subsidy cuts '100 per cent' through pay increases. Then, it helped provoke both the recent miners' and train drivers' strikes by

promising pay awards which it later realised it could not afford."

The train drivers' strike collapsed last month after its union's telephone lines were cut and state radio and television broadcast government statements saying that workers at most depots had returned to work. Witnesses later said this was false.

Mr Mircea Mitrea, joint president of the pro-reform CNSLR-Fratia confederation which, with 3.7m members, represents more than a third of the workforce, says: "The government was not in close contact with the train drivers. It thought it could stop the strike by declaring it illegal, as it does with all strikes." The government also repeatedly misrepresented the

miners' demands during the recent coal miners' strike.

That strike ended after the state-owned Jiu Valley coal company, which includes a representative of the ministry of industry, partially caved in to the miners' pay demands. Rather than acknowledging this the prime minister said the strike had achieved nothing and that the miners had been forced to go back to work on the government's terms.

Once details of the settlement were known, the minister of industry declared the RAH's agreement with the union void. Mr Mircea Cosma, the miners' leader, has now begun legal proceedings to have the minister's decision reversed. He is also threatening to launch a new strike.

# Spain cuts interest rates

By Tom Burns in Madrid

THE BANK of Spain yesterday cut its key intervention rate by half a point to 10 per cent, signalling its confidence that the government will persuade unions to limit wage rises and that the recession could have bottomed out.

The decision also reflected a strong performance by the peseta that has given the monetary authorities considerable room to manoeuvre.

Boosted by foreign purchases of Spanish debt and equities, the currency has risen by almost 4 per cent against the D-Mark in the past few weeks and is within its old exchange rate band before the European Monetary System crisis.

The cut prompted most private banks to bring down lending to prime borrowers by between 25 and 50 basis points to between 10 and 11 per cent. Lending rates are now at their cheapest since the early 1980s.

The key factor in the cut appeared to be the expectation of a three-year "social pact" wage agreement. Negotiations with the unions opened this week and are expected to be completed in time for the government to present a restrictive budget to parliament at the end of the month.

A second cause is likely to have been the Bank of Spain's guarded belief that recovery could be close. The Bank's first-half report noted that certain indicators suggested the recession had touched bottom.

Some analysts were, however, surprised by the boldness of the rate cut.

Arguing that wage restraint was not yet in place, that government borrowing requirements were high and that inflation remained stubbornly above 4.5 per cent, Mr Frederik Artessan, director of equities at Dutch securities house Benelux Monclard, said the central bank "might have had its arm twisted by the government."

# Belgian currency under more pressure

THE BELGIAN central bank again intervened on the currency markets yesterday to support the Belgian franc, but failed to prevent a further slide in its value against the D-Mark, writes Andrew Hill in Brussels.

By mid-afternoon, the currency was trading at BF21.62 against the D-Mark, compared with BF21.45 on Thursday evening. A spokeswoman for the central bank said no special announcements were planned for the weekend.

Some foreign exchange dealers were suggesting yesterday that the authorities might announce abandonment of the strong link between the franc and the D-Mark before trading reopened on Monday. The bank said a weekend devaluation was "impossible".

Mr Yves Mersch, director of the Luxembourg treasury, said yesterday there was "absolutely no reason" for a devaluation. The Luxembourg and Belgian franc are part of a currency union.

On Thursday, the Belgian bank threw its full weight behind the "franc fort" policy by raising official interest rates by one percentage point and intervening on the currency markets. The bank has blamed misleading press reports for making the Belgian franc an attractive target for speculation.

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## Spain cuts interest rates

By Tom Burns in Madrid

# Kohl appeals for change in values

By Ariane Genillard in Bonn

CHANCELLOR Helmut Kohl yesterday appealed for public support for his government's plan to reform the German economy and improve its competitiveness as the August unemployment rate stayed for a second month at its highest level this year.

Mr Kohl urged Germans to change their values and endorse a far-ranging government paper which proposes to privatise and deregulate the economy and reform the country's social security system. The 96-page document, drafted by Mr Günter Rexrodt, the economics minister, received cabinet backing on Thursday night. It will form the basis of new laws to be presented to parliament this autumn and next spring.

"We are calling above all on each and every one for a change in their attitudes and thinking. Well-established hab-

its must be checked and new priorities must be set," Mr Kohl said. Spelling out why reforms of the country's generous social security system were needed, Mr Kohl said: "With so much studying, careers beginning at 30 and people retiring at 60, the bill just doesn't add up when life expectancy is 80." Mr Kohl said, "You cannot expect the system, ladies and gentlemen, to function for ever."

His comments were made as figures were released showing West Germany's seasonally adjusted unemployment rate last month stood unchanged at 10.7 per cent.

The number of people out of work in both the western and eastern parts of the country remained at 3.5m. While unemployment fell marginally in the west, with 10,600 people finding work, the jobs rate in the east climbed to 15.4 per cent against 15.3 per cent in July.

# Call to turn away from Maastricht

By Ariane Genillard

MR Edmund Stoiber, the prime minister of Bavaria and a key ally of Chancellor Helmut Kohl, yesterday urged Mr Kohl to abandon his fervent support for a fast-track European integration under the Maastricht treaty because it risks alienating voters.

In an letter to the chancellor published in the conservative newspaper *die Welt*, Mr Stoiber warned that "the majority of voters could no longer be won by assuming their general creed towards Europe".

"The fatigue of citizens towards Europe threatens to expand into a rejection of certain developments in the European community," Mr Stoiber warned.

The letter comes as his Christian Social Union launches into open battle with rival far-right Republicans ahead of municipal elections in Bavaria at the end of the month and with state elections due next spring. The Republicans, who are

strongest in Germany's southern states, believe they will enter the federal parliament next year by tapping into growing anti-Maastricht feelings.

"I believe the development of Europe as a state parallel to or above European states, which you are pushing for, is the wrong way and could destroy the process of European integration rather than cement it," the Bavarian premier wrote.

Mr Stoiber welcomed the chancellor's suggestion that European monetary union could be delayed "by a year or two" as a result of the virtual collapse of the exchange rate mechanism.

The Bavarian premier said he opposed a single European currency as "much too ambitious".

Mr Stoiber repeated his demand for greater powers for the European parliament. He urged Germany to open a debate at the October EC summit on reforming EC institutions to make them more transparent and accountable.

# Yield on benchmark US bond falls to 16-year low

By Michael Prowse in Washington

THE yield on the benchmark 30-year US Treasury bond fell to 5.97 per cent in trading yesterday, the first time in its 16-year history it had broken through the psychologically significant 6 per cent barrier after weaker than expected employment figures pointed to continuing sluggish growth.

The yield was 5.6 per cent as recently as 1990 but has fallen steadily since as recession followed by sluggish economic growth led to a downward revision of long-term inflation expectations. The trend to lower long-term yields gained further momentum late last year as it became clear that the Clinton administration intended to pass deficit-cutting fiscal legislation.

The Labour Department said non-farm payroll employment fell 39,000 to 110.3m last month, a sign that economic growth is likely to remain moderate. Analysts had expected a gain in payroll employment of about 150,000.

Separately, the Commerce Department said the index of leading economic indicators - a guide to future economic activity - fell 0.1 per cent in July, reversing a 0.1 per cent gain in June.

The official unemployment rate, however, fell from 6.5 per cent to 6.7 per cent in August, the lowest level in two years. The jobs rate is based on a survey of household employment that is more erratic than payroll jobs data; the household measure of employment rose 409,000 last month. The apparent weakness of payroll employment last month was partly offset by revisions to data for July showing a gain of 311,000 rather than the 163,000 initially reported. Payroll employment has risen substantially since Christmas and is more than 2m above the trough reached in February 1992.

Manufacturing employment fell 42,000 to 17.7m last month the lowest level since 1965. Manufacturers have shed 240,000 jobs in the past six months. Service industries such as health care continued to create jobs but at a slower pace than in recent months.

The decline in leading indicators continued a choppy path for the index this year. Seven of 11 components pointed to economic contraction; four to economic expansion. Recent movements of the index are consistent with sluggish growth.

## NEWS: INTERNATIONAL

# Peres joins direct talks with PLO

By Julian O'Zanne in Jerusalem and Mark Nicholson in Cairo

MR Shimon Peres, Israel's foreign minister, yesterday held talks with the Palestine Liberation Organisation aimed at finalising the wording of a PLO statement paving the way to mutual recognition.

Israeli and PLO officials said Mr Peres and his aides, assisted by three Norwegian mediators led by Mr Johan Joergen Holst, the foreign minister, were talking to the PLO directly in Paris and by telephone to PLO headquarters in Tunis. There was speculation that Mr Peres and the Norweg-

ians, who were staying in the same hotel, were in contact with Mr Mahmoud Abbas (Abu Mazen), the PLO moderate who initially last week's draft Israeli-Palestinian peace agreement in Norway.

In Jerusalem Mr Yitzhak Rabin, the prime minister, stopping short of publicly uttering the words "PLO", said he was ready to make "painful compromises" for peace with the former revolutionary organisation.

"In general peace is not made with friends. Peace is made with enemies, some of whom - and I won't name names - I loathe very much."

But in Tunis Mr Yasser Arafat, PLO chairman, was battling against stiff opposition to convince his colleagues to accept the wording of a statement in which the PLO would suspend its charter, renounce violence and recognise right to exist.

PLO officials said Mr Arafat was delaying approval of the peace agreement on interim self-rule for Palestinians in the occupied West Bank and Gaza Strip until he gets mutual recognition so he can deflect mounting criticism within Palestinian ranks. Mr Arafat hopes Israeli-PLO recognition will be followed shortly after-

wards by US recognition of the PLO.

Palestinian extremists both inside and outside the occupied territories have denounced Mr Arafat's plan. Hamas, the fundamentalist group which rejects negotiations with Israel, admitted shooting an Israeli soldier near Hebron on Thursday. Hamas said the attack was part of a campaign against Israel and the US which it accused of "trying to humiliate and intimidate our people" and "liquidate our cause".

In southern Lebanon hundreds of Palestinian refugees demonstrated, describing Mr Arafat's acceptance of the deal as "treason, humiliation and shame".

Israeli troops shot and wounded four Arabs in the occupied Gaza Strip yesterday, three of them at a Moslem fundamentalist rally.

Soldiers in the Jabalya refugee camp opened fire on an Islamic Jihad procession of more than 1,000 demonstrators chanting "Death to Israel, death to America".

Mr Boutros Boutros Ghali, United Nations secretary general, yesterday offered to send peacekeeping troops to the Gaza Strip and Jericho following an Israeli military withdrawal under the peace agreement.

# How the secret deal was hatched

Only Peres' private coterie knew of talks with PLO, reports Julian O'Zanne

THE clandestine Israeli-Palestine Liberation Organisation dialogue which hatched the draft peace agreement in Norway was kept so secret that even Israel's leading negotiator with the Palestinians was in the dark.

Mr Elyakim Rubenstein, Israel's hawkish cabinet secretary and chief negotiator with the Palestinians, was yesterday still considering his resignation. He said he was outraged at being frozen out of the negotiations.

Foreign ministry officials in Jerusalem have said that only a tiny bunch of officials loyal to Mr Shimon Peres, the foreign minister, were in on the talks. Known in Jerusalem as "The Blazers" because of their penchant for dark blue jackets, they include Mr Yossi Beilin, the dovish deputy foreign minister, Mr

Uri Savir, the director-general of the ministry and Mr Yosi Singer, the ministry's legal adviser who was brought in to the talks three weeks ago to help in the delicate drafting of a peace agreement.

Mr Nimrod Novic, a special personal adviser to Mr Peres was also involved. All of them have long been closely associated with the "Peres Camp" and one senior official described them yesterday as "an exclusive club of people".

Israeli officials say the critical input from the PLO was provided by Mr Mahmoud Abbas (Abu Mazen) head of the PLO's pan-Arab and international section, a key moderate and a close adviser to Mr Yasser Arafat, the PLO chairman. Another vital PLO official involved was Mr Abu Ala, head of the PLO economics section, an Arafat loyalist and designer

of a huge investment plan for the West Bank and Gaza Strip after peace.

The Israelis and Palestinians were assisted by a five-strong Norwegian team led by Mr Johan Joergen Holst, foreign minister. In all 14 meetings took place on Norwegian farms and in private homes between January and August and the Norwegians played a critical role travelling to PLO headquarters in Tunis to meet Mr Arafat. According to Israeli officials Mr Peres only stepped into the talks when a document was all but ready to be initiated last week.

Mr Yitzhak Rabin, Israel's prime minister, was aware of the secret dialogue but his government continued to deny it was happening. Prime ministerial aides said Mr Rabin believed the dialogue was worth pursuing but he did

not expect it to yield results and continued pressing forward with talks with Palestinian negotiators from the occupied territories who, like their Israeli counterparts, were kept in the dark.

A turning point came after the collapse of the tenth round of talks in June. Mr Rabin, aides said, began to realise that the negotiators from the PLO in Tunis might be more moderate and willing to strike a deal than the negotiators from the territories. Mr Rabin, however, continued to keep the talks under cover in case they failed and were exposed so that he could plausibly deny any involvement. In an interview in yesterday's *Jerusalem Post*, Mr Shaath admitted that the PLO deliberately blocked the tenth round of talks in Washington to force Israel into direct negotiations.

# Australian dollar plunges amid budget wrangling

By Nikki Taft in Sydney

THE Australian dollar plunged to its lowest levels for six and a half years yesterday amid vicious political wrangling over the Keating government's budget proposals, announced earlier this month, and a strike by 20,000 of the nation's coal miners.

Overseas investors and speculators drove the currency down to US\$0.6559 in overnight trading on Thursday, and the Australian dollar then closed in Sydney at US\$0.6535 yesterday - the lowest level seen since 1987.

The dollar's fall came despite intervention by the Reserve Bank of Australia, which started around the \$0.6635 mark and continued down to \$0.6560.

The fall was attributed partly to a slide in the bullion price and generally weaker commodity prices.

However, uncertainty over the final shape of the government's budget strategy and the failure of the coal miners to return to work also contributed to the nervousness surrounding the currency.

The budget plan has stalled in the face of opposition in the Australian senate, where it needs support from the minority Democrat and Green Party senators to pass.

Earlier this week, the government announced a number of modifications including an increased tax rebate for low income earners and a reduced differential between leaded and unleaded petrol - which won qualified support from the Democrats.

However, two key Green Party senators are not expected to make any decision on the revised package until they meet Mr John Dawkins, the treasurer, next week.

# US funds descend on China

By Tony Walker in Beijing, Tracy Corrigan in London and Martin Dickson in New York

REPRESENTATIVES of American pension funds with portfolios worth \$500bn will converge on the Chinese capital Beijing next week in search of new investment opportunities in what is regarded as one of the world's more challenging "emerging markets."

Mr Philip Schaefer, organiser of the conference, said yesterday that now American pension funds were permitted to invest 10 per cent of their portfolios internationally there was growing demand for fresh investment possibilities in countries like China.

The vogue for foreign investment in China has outstripped the growth of the market. Far from seeking an inflow of foreign capital, China's nascent markets are finding it hard to accommodate demand.

Some 100 representatives of pension funds, whose portfolios amount to about an eighth of all pension fund money in the US, will discuss such issues as China's regulatory environment and development strategies with senior Chinese officials from state banks and from key policy agencies.

As in other emerging markets, a raft of specialist country funds were set up, following the creation of B shares for foreign investors 18 months ago. Because of the complexities of the market, most institutional fund managers prefer to use specialist country-fund managers.

"Six months ago, the total market value of funds available to invest in B shares was twice the market capitalisation of B shares," said Mr Kenneth King, head of international investment at Kleinwort Investment Management in London. This means that few

funds are fully invested in China, with many using Hong Kong shares as proxies.

In addition, some investors have been deterred by the volatility of the market in B shares which has "doubled and halved twice in less than two years of life," he said.

There has also been growing interest in investing in Chinese debt. The People's Republic of China is preparing to return to the Eurobond market with a \$30bn (\$188m) offering via Nomura.

Some US major institutions remain wary. Mr De Witt Bowman, chief investment officer of the California Public Employees Retirement System, the largest public pension fund in the US, said it was not investing in China "because we don't feel the public markets are well enough developed, and the private markets are very much insiders' markets" for those with the contacts.

# Japan's surplus rises by 24.9%

By Robert Thomson in Tokyo

JAPAN'S current account surplus rose 24.9 per cent to \$11.8bn in July, the 28th consecutive month of year-on-year increases, highlighting the pressure on the new coalition government to stimulate domestic demand in the hope of reducing the surplus.

The continuing expansion of the surplus comes as the Bank of Japan is apparently considering a reduction in the official

discount rate (ODR) from the present 2.5 per cent, if only to bolster the confidence of consumers and Japanese companies, which are cutting capital investment this year.

Rumours of an ODR cut next week circulated in financial markets yesterday, following a comment by Mr Yasushi Mieno, the Bank of Japan governor, that a rate reduction was not needed to halt yen appreciation. Some brokers interpreted his choice of words

as a sign that a cut may be needed to stimulate the economy.

In July, the surplus in Japan's trade account rose 32.3 per cent to \$12.9bn (\$9.10bn), and the finance ministry blamed the increase on the yen's strength during the month. Seasonally adjusted, the current account surplus rose from \$8.9bn in June to \$11.2bn in July.

The long-term capital account showed a deficit of

\$4.4bn, compared to a surplus of \$260m in the same month last year, while the overall balance of payments had a surplus of \$5.2bn, against a surplus of \$5.5bn a year earlier.

Japanese investors were net purchasers of \$1.38bn in foreign shares, compared to \$1.24bn in the previous month, while they were sellers of \$682m in foreign bonds, compared to net sales of \$3.04bn in June.

# Philippines records 1.8% growth in first half

By Jose Galang in Manila

THE PHILIPPINES' gross national product, mostly stagnant since 1990, registered an overall growth of 1.8 per cent in the first half of the year, according to government data released yesterday.

The first-half growth, reported by the National Statistical Co-ordination Board (NSCB), dispels fears of further stagnation owing to the debilitating power cuts that had hit metropolitan Manila and the main Luzon island since October 1992.

A sustained inflow of remittances from Filipino workers employed abroad helped propel growth. Without the workers' remittances, gross domestic product grew by only 0.7 per cent, although that was still an improvement over first-half records of the past couple of

years. In the first half of 1992, for instance, GDP declined by 0.13 per cent.

The best performer was the agriculture, fishery and forestry sector, which posted a 2.5 per cent expansion. The industry sector, however, declined 1.5 per cent in the half.

# Aspin blueprint marks shift in national security strategy

George Graham on why the 'Bottom-Up' review of the US forces may exceed expectations

WHEN President Bill Clinton picked Mr Les Aspin to be defence secretary, many doubted that he would have the managerial skills to run an organisation as byzantine, as ossified and as resistant to change as the Pentagon.

A rumpled academic with degrees from Yale, Oxford and the Massachusetts Institute of Technology, and 22 years in Congress, Mr Aspin this week laid out a blueprint for the US armed forces which suggests that he may exceed expectations. His Bottom-Up Review, replete with charts so incomprehensible they could only come from the Pentagon, draws on all the number-crunching power at the disposal of military planners. Yet it carries Mr Aspin's professional stamp in its echoes of a slim discussion paper on force options he produced a year ago when he was chairman of the House of Representatives Armed Services Committee.

The review has already been chal-

lenged both as too timid in its effort to reduce the country's cold war armed forces and as too harsh and likely to leave the forces demoralised and debilitated.

But it has also been hailed as the most thorough intellectual analysis to date of what tasks the US needs to prepare its armed forces for.

The intellectual underpinning of the review represents a dramatic shift away from the national security strategy produced under former President George Bush in August 1981 - when Desert Storm was just concluded and the Soviet Union still existed - which has guided military planners until now.

"The size and orientation of Soviet military forces must therefore remain critical concerns to the United States and the overall health of the European system will still require a counterweight to Soviet military strength," the White House

national strategy statement declared. Two years later, the Bottom-Up Review bases its assessment of force needs on the principle that the US should be able to win two nearly simultaneous major regional conflicts - a radical redefinition of the threats facing the country.

Mr Aspin adds proliferation of nuclear weapons, an eventual undermining of US economic strength, and the possible failure of reform in the former Soviet bloc to his list of threats, but says regional dangers are the most crucial in determining the size and shape of future US forces.

"This one is the most important in terms of deciding the size of the defence budget," he said.

To be able to win a single big regional conflict, the Pentagon calculates that it would need eight active army divisions, along with six reserve divisions; eight carrier

battlegroups; five active marine brigades; and 10 active fighter wings, together with six reserve wings.

To win one such conflict while containing another until forces could be diverted from the first - a strategy known as "win-hold-win" which had the favour of some budget planners at the White House - would require two more army divisions, two more carrier groups and three more fighter wings.

Mr Aspin's choice of winning in two nearly simultaneous major regional conflicts adds only one more carrier group and another reserve carrier, but it requires significant changes in the type of forces and weaponry that can be brought to bear.

These "enhancements" to the type of forces include elements such as improving the navy's F-14 Tomcats to allow them to carry out ground attacks; adding more smart

weapons to the arsenal; and radically overhauling the way army reserves are organised so that they can be made ready for combat much more quickly than proved possible in the Gulf War.

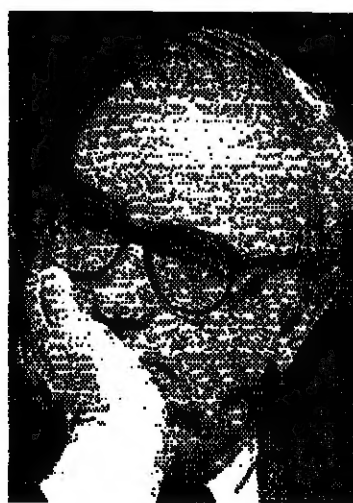
The review also reflects some of Mr Aspin's position papers from his days in Congress in its approach to the defence industry: it proposes the construction of a third Seawolf submarine not because it is needed, but to preserve at least one nuclear submarine yard, and to proceed with the upgrading of about 200 M-1 tanks over the next three years to keep open the only tank manufacturing plant in the country.

Mr Aspin's review was supposed to be conducted from the bottom up, rather than as an exercise in trimming the force structure to fit an already determined budget number, and he has declined to give any overall budget figure until next

week. But the plan risks criticism from both wings of Congress, where budget numbers are the most important currency.

It has already been derided by some as cutting only a couple of army divisions and one aircraft carrier group from the force designed under Mr Bush in 1991, and attacked by others as accelerating a ruinous round of defence cuts that has impaired morale and left US troops stretched too thinly. Between the two, it has been criticised as unaffordable within the \$128bn Mr Clinton has budgeted for defence over the next five years.

Perhaps the harshest criticism, however, is that the Bottom-Up Review is just a theoretical construct with little chance of being implemented in detail against the resistance of Pentagon bureaucrats and of Mr Aspin's former colleagues in Congress, who will be sure to



Aspin: rumpled academic

pick away at every element of it. If the implementation of the Bottom-Up Review can live up to its intellectual promise, then Mr Aspin will truly have made the jump from the senior common room.



## NEWS: UK

# New car sales soar above highest estimates

By Kevin Done,  
Motor Industry Correspondent

NEW CAR SALES in August have exceeded the most optimistic motor industry forecasts and are expected to reach around 440,000, the third highest-ever August sales total.

The figures, which will be released today, are expected to show an increase of close to 18 per cent from the 373,904 achieved in August last year, when the industry was still

struggling to emerge from three years of recession. The industry had previously forecast an increase of around 11 per cent.

August is the most hectic period of the year for the retail motor industry with sales stimulated by the change of the registration letter.

It is a key test of the state of demand and has accounted for 23 per cent of annual new car sales in each of the last two years.

New car sales were showing an

increase of around 12 per cent after the first 20 days of August, but the industry has been surprised by a late surge in registrations - in particular by Ford and the PSA Peugeot-Citroën group.

The Society of Motor Manufacturers and Traders said the industry had handled "unprecedented sales over the last few days of the month".

The highest level of new car sales in one month was achieved in August 1989 at 500,112.

For the full year Vauxhall yesterday forecast a rise in new car registrations of around 9 per cent to 1.73m-1.74m from the 1.59m achieved last year, which would still leave the industry well below the peak sales year of 1988 at 2.3m.

The UK is presently the only car market in west Europe which is showing any growth.

Sales across Europe fell by close to 18 per cent in the first seven months of the year, and this steep decline is

forcing some UK manufacturers to cut production as export orders fall.

Mr Ian McAllister, chairman of Ford of Britain, said that a high level of visits to dealer showrooms had been sustained throughout the month of August. "Maybe customers are using their savings to buy cars now, because interest rates have come down so far on their savings."

He said that sales to company fleets had been particularly strong which suggested that companies

were beginning to lift earlier constraints on car replacements. August was a record month for fleet sales.

Land Rover announced yesterday that it is to introduce a night shift at its Solihull assembly plant in order to increase output of its successful Discovery four-wheel drive vehicle.

It has recruited an additional 300 workers during the summer raising its workforce to 8,400 in order to increase production from 700 to 900 a week.

## Smith faces tough fight on union votes

By Kevin Brown,  
Political Correspondent

THE STRENGTH of opposition to plans by the Labour party leadership to end trade union participation in the selection of parliamentary candidates was underlined yesterday.

The agenda for next month's party conference includes nine pages of motions and amendments on the reform of its constitution, most of which are hostile to the proposals.

The depth of hostility will disappoint Mr John Smith, the Labour leader, who won an important victory in July when the party's national executive committee approved a deal hammered out in talks with the unions.

Mr Smith is unlikely to be surprised, however. Several big unions, including the TGWU general union, have made clear that they oppose the deal, which focuses on one-member-one-vote elections.

Most of the critical motions have been submitted by left-wing constituency parties although their members would benefit most from a reduction in trade union participation.

Many constituency parties complain that any weakening of Labour's links with the

unions would risk transforming the party into "another Liberal Democratic party" or worse, a mark two Social Democrat party.

Several unions and constituency parties have submitted motions giving full or partial support to the leadership. These include the Fire Brigades Union and the AEU engineering and electrical union.

The most substantial opposition comes from unions such as the GMB general union and Nupe, the public services union. Both have submitted motions seeking to undermine the leadership's proposals.

Such an electoral system would be restricted to union members who paid the political levy which helps to finance the Labour party, but would break the link between constituency party members and MPs which the leadership wants to strengthen.

Mr Smith's first public opportunity to win over union critics will come when he addresses the Trade Union Congress on Tuesday.

He is expected to avoid any direct reference to the issue, however, to avoid charges of attempting to hijack the conference agenda.

## Subtle franchise bid displaced LBC

By Andrew Bolger

LONDON RADIO News, which will replace LBC as operator of two of London's commercial radio stations next year, was the dark horse of the latest radio franchising round.

Although LBC's franchise was known to be at risk, most believed the stiffest challenge would come from a consortium which included Reuters, the news and information group, Independent Television News and Associated Newspapers, publishers of the Evening Standard and Daily Mail.

London Radio News, which draws on the expertise of former senior LBC employees, felt that a low-key approach would be more effective. Bidders pay the same nominal amount for licences, so were judged solely on the quality and range of their proposed programmes, plus financial support.

Although admitting that they had been working on this bid "for some time", the successful team concentrated resources on quietly preparing as strong a submission as possible to the Radio Authority. It did not publicise its coup in landing Mr John Tusa, former managing director of the BBC World Service, as chairman.

A consortium of pension funds and insurance companies, organised by Guinness Mahon, the merchant bank, will invest £4m in London Radio News. The biggest investor in the private company is Hachette, the French media group, with a 30 per cent stake.



Matthew Cartisser, chief executive of LBC, addresses his staff yesterday. London Radio News is to replace LBC as a radio broadcaster.

Mr Peter Thornton, former managing director of LBC, is editor-in-chief of LRM. He wants to position the two stations to compete effectively with the BBC, whether or not the corporation starts its all-day news service.

Mr Thornton said the FM station would be the public's first choice for instant news with a 20-minute segment being constantly updated. There will also be sport and

City and financial news at the same intervals. He said this concept worked well in big cities such as New York. The AM service, London Forum Radio, would offer phone-ins and discussion programmes.

London Radio News will employ about 180 people, compared with LBC's present staff of about 120. Mr Thornton said: "We will not rely so much on personalities, although we will still have some big names."

The new company might take space in the City Road offices of The Independent, but there will be no financial or journalistic links between the two organisations.

Mr Bruce Freeman, a director of Guinness Mahon, is deputy chairman of London Radio News and sits on the board of The Independent.

Mr Freeman said London Radio News would next year bid for the third national inde-

pendent radio franchise, which is to be speech-dominated, but said the company would be viable if the bid did not succeed.

Advertising in London is forecast to grow at 7 per cent a year - higher than the national average. London Radio News believes it can reach about 20 per cent of its potential audience of 10m people and take a similar share of advertising. It is projecting annual revenue of about £10m.

## OFT urged to probe Times cut

THE OFFICE of Fair Trading is considering a request from the Labour party to investigate the cut in the weekday price of The Times from 45p to 30p, a move which The Independent fears will drive it out of business, wrote Ian Hargreaves and David Owen.

The OFT said yesterday that Sir Bryan Carsberg, the director-general of fair trading, was "monitoring developments and would give serious consideration to any representation on the matter".

Later it said it had received a submission from Mr Robin Cook, Labour's trade and industry spokesman.

Mr Cook's letter - also signed by Ms Ann Clwyd, Labour's national heritage spokeswoman - asked the OFT to investigate a monopoly reference to the Monopolies and Mergers Commission on "whether the dominant position of News Corporation and its subsidiary companies... is resulting in unfair competition".

Noting that The Times was "already loss-making", the letter expressed concern that the price cut "could well lead to other competitors without external financial subsidies being forced out of the market".

It said: "An investigation is required to establish whether this constitutes an anti-competitive practice under the Competition Act."

## Unitary authority plans delayed

THE FINAL report by the Local Government Commission on its proposals for reorganising Derbyshire County Council has been postponed for seven weeks, the Department of the Environment said yesterday.

Its provisional recommendation to create two unitary authorities, one for Derby and the other covering the remainder of the county, was strongly criticised by local MPs and employers when it was announced in May. The commission's final decision, following formal responses from the local community, will not now be published until November 7. It was scheduled to be released on September 19, just before the Conservative party conference.

Final decisions on reorganisation for Durham and Cleveland have been brought forward by two weeks, and will now also be announced on November 7. Commissioners will start their reviews of Lancashire and Cumbria, and Hampshire in early September, in line with the original schedule.

Mr David Curry, the local government minister, said: "We have been looking at ways to improve the review process and we will make an announcement as soon as we can. The message now is that we want the commission to press ahead with the next reviews in the programme, Cumbria and Lancashire, and Hampshire."

## Unions strongest in Merseyside

MERSEYSIDE is the only region where trade unionists make up the largest part of the employed workforce, figures compiled by the GMB general union from the government's latest labour force survey show.

Three years ago four other regions had workforces with more than 50 per cent trade unionists: Tyne and Wear, the rest of the north-east, South Yorkshire, and central Clydeside.

But since 1989 the proportion of the workforce in unions in Tyne and Wear has fallen from 54 per cent to 47.4 per cent and in South Yorkshire from 50 per cent to 49.1 per cent. In inner London less than a third of the workforce are in unions (32.2 per cent), about the same figure as four years ago.

## More airport jobs

EXCALIBUR AIRWAYS, the independent charter airline, is to move part of its tour operations to East Midlands Airport, creating 50 jobs for air crew and ground support staff.

## BA passenger lift

BRITISH AIRWAYS said its scheduled passenger traffic in July was up 12.4 per cent from a year ago with a record 2.7m passengers carried. But capacity also rose, leaving the passenger load factor down 1.5 percentage points from a year ago at 78.1 per cent.

## Thousands 'at risk' from drug-resistant TB

By Clive Cookson

TENS OF THOUSANDS of people in Britain could be at risk from drug-resistant strains of tuberculosis, a leading TB specialist warned at the British Association meeting at Keele University.

Dr Tim Peto of Oxford University's Nuffield Department of Clinical Medicine said some patients in the US could not be treated effectively with any

known antibiotic. The UK has TB strains that are resistant to the best "frontline" drugs but they do succumb to "second-line" antibiotics.

"The impact of multi-drug resistant strains of TB in Britain would be immense," Prof Peto said. "The total cost of managing a major TB outbreak would be huge."

Infectious patients with resistant strains might need to be isolated for long periods.

"Intensive health care would be needed to ensure that patients complied with complicated drug regimens for many months in order to check the infection," Dr Peto said.

"In recent years we have seen the impact of HIV disease on public awareness of the impact of sexual behaviour. It is difficult to predict what the effect on society would be if a serious infectious disease emerged which is spread sim-

ply by coughing, sneezing or talking."

He blamed "the inequality of health care in the US" for the emergence of multi-resistant TB there. "Those at risk in the UK - likely to be tens of thousands - would be those who did not have regular access to NHS facilities. The homeless were especially vulnerable."

A number of once-vanquished microbes that are now making a comeback, the

conference heard. Professor Michael Levin of St Mary's Hospital Medical School, London said: "In the past 20 years we have witnessed a dramatic and frightening re-emergence of infectious diseases as major forces against which mankind must struggle for survival."

He said many old diseases had returned and a host of new infectious diseases, which were not dreamed of 15 years ago, had appeared.

## Tractor makers gain benefits of ERM departure

By Richard Mooney

TRACTOR manufacturers are enjoying an increasing share of the windfall for UK farmers' incomes provided by the exit of sterling from the European Community's exchange rate mechanism last autumn.

Figures published yesterday by the Agricultural Engineers' Association show that UK registrations of tractors above 40hp totalled 2,741 units in August, up 40.6 per cent from the same month last year, taking the total for the year so far to 11,983 units, up 24 per cent.

Mr Chris Evans, the association's economist, said the sharp rise had to be viewed against the background of extremely depressed sales in preceding years as farmers' incomes slumped to historic lows in real terms. Last year UK tractor sales were the lowest on record, he said.

Reform of the EC's common agricultural policy had already brightened the outlook for farmers before sterling left the ERM and the "green pound" - the artificial exchange rate at which EC-guaranteed farm prices are translated into ster-

ling - was devalued by 20 per cent, Mr Evans said. Although subsequent revaluation of the green pound had reduced farmers' gains, many still found themselves with money to invest in machinery for the first time in years.

The rise in spending on machinery was exaggerated by the fact that much machinery was overdue for replacement, Mr Evans said, while some purchases might have been brought forward to benefit from a 40 per cent tax allowance on farm equipment, which is being reduced to 25 per cent from the end of October. He thought strong demand for tractors would continue at least until then.

The National Farmers' Union agreed that the financial position of UK farmers was better than for some time. It cautioned, however, that investment plans should be considered "with great care" in view of the uncertainties associated with the progress of agricultural policy reform and the impact on farm incomes of any eventual settlement in the general agreement on tariffs and trade.

## Theory put on Aids mystery

By Clive Cookson

A NEW THEORY to explain one of the great mysteries of Aids was presented to the British Association meeting in Keele yesterday.

Professor Robert May, a well-known mathematical biologist from Oxford University, sought to explain why there is such a long and variable interval - often as long as 10 years - between first infection with HIV (the virus that causes the disease) and the onset of life-threatening symptoms.

He based his theory on a combination of computer modelling and clinical observations.

It suggests that HIV eventually overwhelms the immune system by its extraordinary

mutation rate, which is greater than that of any other known virus. Over a period of years dozens of different HIV strains evolve in the patient, and the immune cells cannot cope with such diversity.

"Each new strain requires a largely specialised immune response. On the other hand, any strain of HIV can kill or impair the function of any of the immune cells," Prof May said. "Mathematical studies of this peculiar system show that there can be a 'diversity threshold' beyond which the immune system can no longer control the virus."

The theory suggests that chance plays an important role in the time taken to develop Aids, depending on the rate at which random mutations arise

in the stages soon after infection.

Prof May says the theory, which he developed with Dr Martin Nowak, "puts the virus itself centre stage". In contrast, many other focus on different factors for triggering the collapse of the immune system.

Although much available evidence supports the theory, more experiments will be needed to confirm it.

If Prof May is right, sufferers should in theory take anti-HIV drugs as soon as possible after infection to suppress replication of the virus and the emergence of new mutants. But he says the drugs currently available, such as AZT, have too many toxic side effects for him to give such advice with confidence.

## Standard Life's battle to maintain sales

STANDARD LIFE must have seen the writing on the wall. Late last year it unveiled a new logo designed to promote brand-name identity and has recently ventured into image advertising on television.

It will need more than a stronger image to prosper in future, for like increasing numbers of leading life insurers, Standard Life is about to find itself frozen out of the high street.

Standard Life had the presence of mind in 1989 to "re-invent" itself to the UK's largest building society, the Halifax. That outlet provided 18 per cent of all its new business in the UK last year.

Yesterday the Halifax said that from the end of 1994 it will sever the arrangement under which it sold Standard Life insurance and pensions products exclusively, and will only sell those of a new company it plans to form itself.

Mr John Wriglesworth, building societies analyst at UBS Securities, said: "To Joe Public who doesn't read the newspapers, Halifax Life is a

### Insurance ties of the top 10 societies

- Halifax tied to Standard Life but, from late 1994 it will sell only products from its own subsidiary, Halifax Life
- Nationwide: tied to Guardian Royal Exchange
- Leeds Permanent (to be formed by merger between Leeds and National Provincial): Leeds will sever its tie to Norwich Union next spring. The combined society will sell products of a wholly-owned insurance subsidiary
- Woolwich: tied to own subsidiary, Woolwich Life
- Alliance and Leicester: tied to Scottish Amicable
- Cheltenham and Gloucester: tied to Legal and General but from November it will offer no retail financial services at all
- Bradford and Bingley: has independent financial adviser
- Britannia Life: tied to its own subsidiary, Britannia Life
- Bristol and West: tied to Eagle Star
- Northern Rock: tied to Legal and General but offers independent advice through a subsidiary

better brand than Standard Life. It has no public presence although its a cracking good company."

Mr Tom King, general manager (marketing) at Standard Life, said the company would quickly recoup the lost business by selling more through the independent financial advisers which account for 70 per cent of its sales, and by expanding its direct salesforce.

But industry analysts are doubtful. Mr Mike Wadsworth, partner in the insurance practice at consulting actuaries R Watson and Co, said: "Clearly in the area of mortgage-related business it is difficult to see how the shortfall can be made up quickly."

A number of the nation's largest banks and building societies have abandoned ties with outside insurance com-

panies in favour of self-owned operations.

Only two leading building societies, Nationwide with Guardian Royal Exchange, and Alliance and Leicester with Scottish Amicable, remain firmly tied to large insurance companies - and that may not last.

Nationwide said: "Our tie doesn't come up for renewal until the end of 1994. We are now looking at all our options."

Five years ago the Financial Services Act determined that retailers of financial services must either sell the products of one producer exclusively, or must sell the best product of a broad range of producers.

Most banks and building societies saw exclusive arrangements as more profitable. But inevitably, Mr Wadsworth said, frustrations set in. "It's hard for a major insurer to give the attention that the retailer thinks his customer needs," he explained.

In short, insurance companies do not tailor products for the building society market.

Mr Michael Blackburn, Halifax chief executive, in explaining why the tie had to be abandoned, said: "It's to do with control over the manufacturing process. We are particularly concerned that our competitors have more flexibility than we do."

Until recently the Halifax had been privately urging the Securities and Investments Board to consider allowing "multi-tying", which would have enabled it to have different exclusive arrangements for different products.

Mr Blackburn declined to speculate about whether the Halifax would have preferred multi-tying to starting its own insurance company, saying there was no prospect of rule changes in any event.

But Mr Wriglesworth said there was little doubt about the Halifax's preference.

"I don't think this would have happened if they could have had ties with several providers," he said.

Norma Cohen

**BUSINESSES FOR SALE**

**INVITATION**

**FOR THE SUBMISSION OF SEALED BIDDING OFFERS FOR THE ACQUISITION OF MEVIOR'S SHARES HELD BY ELEVME S.A.**

**SUMMARY INFORMATION ON MEVIOR S.A.**

NAME: MINING AND INDUSTRIAL MINERALS - MEVIOR S.A.  
LOCATION: ASSIROS, Pref. Thessaloniki  
ACTIVITY: MEVIOR is now active in the production and marketing of:  
1. Feldspar  
2. Quartz  
3. Silica sand  
4. Quartzite  
5. Wolastonite

**FINANCIAL DATA**  
Based on Balance sheet Dec. 31, 1992

<b>ASSETS</b>		
B. INSTALLATION COSTS	Drs.	60,512,881
C. FIXED ASSETS		
1. Intangible assets		56,613,872
II. Tangible assets		354,934,028
III. Participations		935,360
<b>D. CURRENT ASSETS</b>		
1. Inventory		65,995,324
II. Receivables		66,587,115
III. Marketable Securities		18,089,151
IV. Cash		12,201,799
<b>E. INTERIM ACCOUNTS</b>		1,138,958
<b>TOTAL ASSETS</b>		835,286,588
<b>LIABILITIES AND EQUITY</b>		
Share Capital		500,500,000
Investment Subsidies		237,187,648
Reserves		13,782,452
Retained earnings		(138,382,689)
Provisions		66,267
Short-term liabilities		17,473,285
Interim accounts		5,689,822
<b>TOTAL LIABILITIES AND EQUITY</b>		835,286,588

**PROCEDURE**  
(As per Greek Law 2000/87)

- Potential buyers are invited to receive, after signing a confidentiality agreement with ELEVME S.A., the Information Brochure describing MEVIOR's activities. Interested parties shall submit a binding offer, in a sealed envelope, for 383,860 shares (out of a total of 500,500 shares). It is indispensable that the offer be accompanied by a guarantee letter issued by a Bank legally operating in Greece for the sum of 25,800,000 Drs which represents 10% of the starting price of the public auction. The guarantee letter, draft of which can be obtained from ELEVME S.A., shall be submitted enclosed in a separate envelope marked "Guarantee Letter".
- The offers shall be submitted on Tuesday the 28th September 1993 between 8.00 am and 12 noon to the notary public of Langada (Thessaloniki prefecture) Stavroula Anastassopoulou, 33 Loutron Street, 1st floor, Tel. (0564) 25566. The offers shall be opened on the same day at 12.15 pm. The bidders may witness the opening of the offers.
- The starting price amounts to 650 Drs per share i.e. a minimum total of 256,074,000 Drs (Decision of Court of Appeal of Thessaloniki No 1187/1993).
- The bidders should also submit a letter concerning:  
a. Their intentions in respect of maintaining or not or increasing the number of job positions.  
b. Any other proposals for further developing the company's activities such as new investments, increasing of exports etc.

To obtain the Information Brochure as well as additional data on MEVIOR, those interested can apply to the liquidators of ELEVME S.A., 18 Kifissias, Marousi, Tel: (01) 8943520 and (01) 8943529, FAX: (01) 8943527.

Marousi, September 1st, 1993

**THE LIQUIDATORS**



**OFT**  
urged to  
probe  
Times cut

THE OFFICE of Fair Trading is considering a request from the Labour Party to investigate the cut in the circulation of the Times newspaper. The party's shadow secretary of state for industry, Mr. Peter Mandelson, said the cut in circulation was a "serious matter" and that the OFT should look into it. The Times circulation fell by 1.5 million in the first half of 1993, compared with a rise of 1.5 million in the first half of 1992. The party's argument is that the cut in circulation is a result of the newspaper's financial difficulties, which have led to a reduction in the quality of the paper. The OFT is currently investigating the Times's financial situation and its impact on the newspaper's circulation.

Unitary authority  
plans delayed

THE UNITARY authority plans for the new local government structure are being delayed. The plans, which were originally intended to be implemented in 1994, are now being postponed until 1995. This is due to a number of factors, including the need for more time to consult with the public and the need to resolve outstanding issues with the central government. The plans for the unitary authority are still being developed, and it is expected that they will be finalized in the next few months.

Unitary authority  
plans delayed

Unitary authority  
plans delayed

Cheaper credit unlikely by Budget

## Rise in M0 foils hopes for rate cut

By Emma Tucker,  
Economics Staff

**LINGERING HOPES** for an early cut in interest rates were suppressed yesterday by the news that the amount of money in circulation increased again in August.

Bank of England figures showed that M0, mainly notes and coins in circulation, grew a seasonally adjusted 0.3 per cent last month, to give a year-on-year growth rate of 5.1 per cent.

This was the highest annual growth rate since July 1990 and compares with 4.8 per cent in July and 4.4 per cent in June.

The figure will be taken as a further sign of economic recovery because M0 has acted as a fairly reliable guide to levels of activity in the retail sector since the end of the recession last year. Mr George Magnus, economist at SG Warburg Securities, said: "These figures suggest that the economy is going to continue at a reasonable pace."

The rate of narrow money growth is now 1.2 percentage points above the ceiling of the government's zero to 4 per cent target range for M0. Its buoyancy indicates a steady recovery in retail spending.

However, economists said that the particularly sharp rise in the year-on-year growth rate was partly due to a large

increase in the annual rate of bankers' operational deposits which make up a small proportion of M0. These deposits are more influenced by conditions in the money markets than by economic activity.

Mr Don Smith, UK economist at Midland Global Markets, said: "The large annual rise in M0 is due mainly to bankers' balances. The underlying trend remains pretty flat."

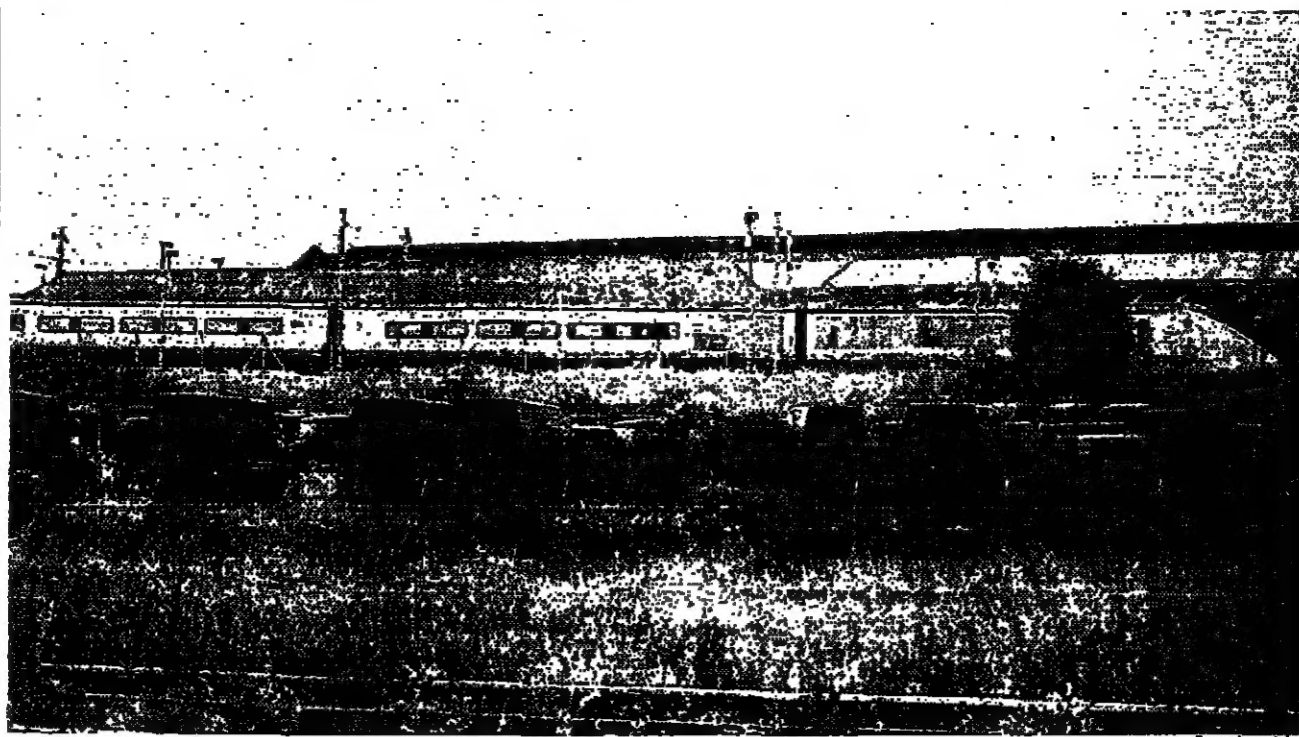
If bankers' balances are stripped out of the figures, notes and coins grew by 4.8 per cent in the year to August, compared with 5.2 per cent in the year to July.

Nonetheless, the resilience of M0 will reduce pressure on the government to ease monetary policy in the near future.

There is some expectation for another base rate cut at the beginning of October when the three political parties hold their annual conferences, but many analysts do not expect to see lower rates at least until the Budget at the end of November.

The Bank also announced no revision to broad M4 money. M4, M0 plus bank and building society deposits, grew by 0.9 per cent on a seasonally-adjusted basis in July to give an annual rise of 3.6 per cent.

The Treasury has set a 3 per cent to 9 per cent monitoring range for broad M4 money growth. This has remained weak throughout this year.



## Channel train prepares for test run

By Tim Burt

**THE EUROSTAR** (above), Britain's first Channel tunnel express train, has been rolled out for engineering tests before making its debut run.

Once checks have been completed operating tests will start amid some secrecy in

late-night runs between Aston and Lichfield in the Midlands.

The first train, of which 10 carriages are ready, is being prepared in Birmingham by Metro Cammell, the GEC Alsthom subsidiary. Workers at the plant are assembling 14 further trains for the Channel tunnel fleet, ordered by British Rail.

SNCF of France and SNCB of Belgium at a cost of £24m each.

After the tunnel's opening next summer 38 Eurostar trains will link European cities at speeds of up to 180mph. Services to London, however, will operate at lower speeds until the delayed Channel rail link is completed.

## Court plea on Thorp tests fails

By Browne Maddox,  
Environment Correspondent

**GREENPEACE**, the environmental group, yesterday failed in its second attempt to stop uranium testing at British Nuclear Fuels' Thorp reprocessing plant in Cumbria.

The Court of Appeal, in a 2-1 majority decision, rejected the plea for an order stopping the

tests before the High Court examines the their legality on September 14.

Greenpeace is arguing that the tests, which will contaminate part of the £2.8bn plant with radioactivity, prejudice the government's decision on whether to give the plant a licence to start operation.

The government has already said it is "minded" to grant a licence, but will decide finally after the current public consultation ends on October 4.

Yesterday's ruling on the testing still leaves Greenpeace free to challenge the eventual decision on the licence.

Lord Justice Gildewell and Lord Justice Scott agreed there was nothing in the fresh evidence before the court to invalidate the ruling of Mr Justice

Brooke on Wednesday that BNF should be allowed to begin the tests before September 14.

Lord Justice Evans said the new evidence showed that although the first phase of testing had started on Thursday, contaminating uranium would not be introduced "into the machinery" until the second phase began in about a week.

## PM tries to keep a sunny disposition

**SNUG** IN his borrowed Portuguese villa Mr John Major has had two uncluttered weeks to reflect on the outlook for the coming year. It will not have been a relaxing experience.

In the prime minister's absence Downing Street aides are claiming that the end of the Maastricht treaty will allow a line to be drawn under the divisions and disasters of last year.

Add in an accelerating economic recovery, say the siren voices, and a reunited Conservative party will soon be back on course for a fifth successive election victory.

Mr Major, who returns to Downing Street on Tuesday, will be hoping that the optimists are right. But he will be painfully aware of the long list of banana skins lying in wait for a misplaced government foot.

Ironically, after a year in which most of the prime minister's energy has been directed to overcoming parliamentary rebellions, the Commons may be the least of the government's problems.

At this early stage of the parliamentary year the only

## Kevin Brown on the difficulties awaiting John Major as he returns from holiday next week

immediate legislative problem appears to be the British Rail privatisation bill, which the Lords did their noble best to wreck in the dying days of the last session.

It has become clear during the summer recess that a large number of Conservative MPs, mainly in the south-east commuter belt, are sympathetic to the Lords amendment, suggesting that reversing it in the Commons may be difficult.

Even more worryingly for Mr Major, the potential rebels are drawn largely from loyalists who have refused to join previous rebellions against the government.

At least Mr Major can console himself with the hope that the loyalists can be won back if a sufficiently ingenious compromise can be found.

But the hard-core rebels - a shifting coalition of a dozen or so Euro-sceptics and embittered Thatcherites - remain on the alert for any opportunity to embarrass the government.

Their best chance may come

in December when the European Council meets in Brussels to plan the future of the European Community in the wake of the Maastricht treaty and the collapse of the exchange rate mechanism.

Mr Major will be walking a tightrope. He must appear sufficiently *communitaire* to avoid backtracking on his vision of Britain "at the heart of Europe" while sounding sufficiently sceptical to avoid a renewed eruption from the back benches.

He must also be dreading the publication of Baroness Thatcher's memoirs, due next month. Inevitably attention will focus on his part in her downfall.

From Mr Major's point of view the timing could hardly be worse. The party is already riven by an acrimonious debate on the possibility of tax increases in the November budget as part of the government's drive to bring its £50bn budget deficit under control.

Rightwingers such as Mr

John Townsend, chairman of the party's finance committee, have forecast an irretrievable split if Mr Kenneth Clarke, the chancellor, decides that higher taxes are essential.

Usually changes in tax rates are a matter for the chancellor after discussion with the prime minister and agreement on public spending totals in the cabinet's EDX committee, which starts work in earnest next week.

This year it will be at least as much a matter for Mr Richard Ryder, the chief whip, who will have to estimate how much indignation the right can be made to stomach.

In spite of the problems Mr Major is not entirely a prisoner of events. For example, the Queen's speech is likely to concentrate on issues designed to rally the party, such as removing regulatory burdens from industry.

The prime minister is also giving discreet support to a centre-left slate of candidates for the chairmanships of the

party's influential backbench committees. The right overreached itself in winning the majority of chairmanships last year, but a failure by the centre-left to dislodge most of the sitting rightwingers would look like a government setback.

Mr Major has other personal problems too: what to do about Mr John Patten, the education secretary, and Mr Michael Heseltine, the trade and industry secretary.

Mr Patten's return after illness has stifled immediate talk of a reshuffle, but it is still not clear whether Mr Heseltine has fully recovered from a heart attack in June.

Mr Heseltine is expected to return to the fray at the party conference next month. But if he is less than fully fit Mr Major may be forced to move him, perhaps to replace Sir Norman Fowler, the low-key party chairman.

However he chooses to approach the choppy waters ahead, Mr Major knows that his main problem is to demonstrate that he has a firm hand on the tiller. That is not yet beyond him, but the thought may have spoiled his holiday.

## Patten in partial retreat on truancy

By John Authers

**MR JOHN PATTEN**, the education secretary, yesterday withdrew plans to publish school-by-school league tables of truancy rates in primary schools.

He provoked opposition from teachers' unions by confirming, however, that truancy league tables for secondary schools will be published in November. Data at primary school level will be made available for each local education authority.

The secondary-school tables will show the percentage of pupils missing one or more sessions - a morning or an afternoon - without authorisation, while tables comparing local education authorities will include figures on the percentage of pupils absent at least once without permission, and the total number of sessions missed. All state and independent schools that accept day pupils must submit the information to the Department for Education.

Mr David Hart, general secretary of the National Association of Head Teachers, said: "What the government now needs to do is to apply the logic of this decision in the primary sector to secondary schools and thereby complete the U-turn it has half performed."

## Ofgas clarifies stance on profits

By David Lascelles,  
Resources Editor

**OF GAS**, the gas industry regulator, has no intention of dictating to British Gas how to deploy its profits, Sir James McKinnon, the director-general, said yesterday.

But he stressed that the company would not be allowed to raise prices for UK domestic consumers to make good losses incurred in overseas expansion. "That's a non-starter," he said.

Sir James issued a statement after a report in yesterday's FT that Ofgas was keen to "ring fence" British Gas's £1.2bn domestic profits to protect them from costs associated with high-risk overseas projects.

Mr Greg McGregor, the director of competition and tariffs, indicated that draft proposals were being presented to the company. The proposals would be part of the restructuring which British Gas is expected to undergo following last month's Monopolies and Mergers Commission report recommending a break-up of the company.

Sir James said Ofgas's stance would not prevent the company deploying domestic profits to finance foreign activities if it wanted to.

British Gas said the MMC report had found no evidence that it had underinvested in the UK or that the gas supply business had been adversely affected by the growth of its overseas interests.

## Hunt may address TUC next year

By David Goodhart,  
Labour Editor

**MR DAVID HUNT**, the employment secretary, is likely to break with political tradition and address the Trades Union Congress - but not until next year, according to senior TUC officials.

Mr Hunt, who has gone out of his way to make conciliatory gestures to the unions, informally sounded out the TUC about addressing this year's congress, which starts on Monday.

Officials said that his advance was politely rejected but they also made clear that an invitation for next year was probable.

Mr John Monks, who takes over as the new general

secretary of the TUC next week, is very keen to distance the union movement from the Labour party and turn the TUC into a more apolitical organisation.

Mr Monks himself would probably have favoured a signal-setting invitation to the minister this year but several senior trade union leaders would have been less keen.

One TUC official said: "It is a bit premature this year, especially given that the minister has just steered through an employment law abolishing wages councils."

But many union leaders are impressed by Mr Hunt's record of working with unions in his three years as Welsh secretary and believe he is sincere about wanting regular contact.

## Invalidity benefit squeeze nears

By David Owen

**THE GOVERNMENT** yesterday appeared closer to a decision to tighten doctors' guidelines on whether patients should receive invalidity benefit.

Mr Alastair Burt, social security minister, said the first of a series of government-commissioned surveys on the subject confirmed anecdotal evidence that doctors were "finding it difficult to adhere to the criteria". The survey said doctors were including some people

that they should not, he added. Invalidity benefit is one of the areas earmarked for possible savings in the government's long-term review of social security spending.

Ministers have argued for scrutiny of the area partly because invalidity payments are one of the fastest-growing benefits at a time when the nation's health has been improving.

In the past 10 years the number of people receiving the benefit has risen from 700,000 to 1.5m. Expenditure has more

than doubled in real terms over the same period to \$5bn a year and is likely to reach \$8bn by 1996-97.

All five commissioned studies of the benefit are expected to be completed in the next two months, paving the way for a final decision around the time of the November Budget.

The government may also decide in November to impose tax on the benefit. Mr Burt said yesterday: "There is no secret it has always been intended to tax invalidity bene-

fit. It is a matter for the chancellor at what stage he brings it into tax."

Mr Donald Dewar, shadow social security secretary, accused the government of a ploy to "soften the public up for an autumn hatchet job on benefits to the most vulnerable".

The benefit - which is higher than unemployment benefit - is typically paid to men in their 50s who have lost their jobs and are seen by social security officials as unfit for work.

## Brown attacks tax relief for share options

By David Owen

**THE GOVERNMENT** should abolish tax relief on executive share options, Mr Gordon Brown, the shadow chancellor, said yesterday, launching a fresh Labour assault on boardroom perks and remuneration.

Speaking just three days after Mr Norman Lamont, the former chancellor, rejoined N.M. Rothschild & Sons, the merchant bank, as a non-executive director, Mr Brown also called for a "decent interval" to elapse before former cabinet ministers were allowed to accept private-sector directorships.

Mr Brown said ministers had not spoken out against boardroom "excesses" because so many former members of cabinet were themselves among the beneficiaries.

"This new and cosy City cabinet - many privatising industries or awarding privatisation contracts from the cabinet room one day and then involved in running them from the boardroom a little later - cannot command confidence or credibility," he said.

Former ministers singled out by Mr Brown for "walking straight from the cabinet room into the boardroom" included Lord Tebbit, the former trade and industry secretary; Lord Walker, the former energy secretary; Lord Lawson, the former chancellor; and Sir Norman Fowler, the former transport secretary.

Earlier this week it was announced that Sir Norman, now Tory party chairman, was to resign as non-executive

director of Group 4 Securitas, the international group of security businesses, from next month.

Group 4 - and Sir Norman's involvement with the company - hit the headlines in April when four men escaped or were wrongly released within days of Group 4 starting work as the first private-sector company to run services escorting prisoners between prisons and courts.

The company, which won the contract to run the Wolds remand prison on Humberside, is likely to be among the bidders for new business arising from the government's decision to contract out the management of a further 10 prisons to the private sector.

Referring to a Labour survey of directors' pay increases, Mr Brown said boardroom remuneration in leading companies had gone up by 90 per cent more than average wages in the last five years.

Speaking in Wolverhampton, he highlighted share options held by senior executives in the electricity industry which he said could yield a "£45m handout".

Tax relief on executive share options was likely to cost the exchequer about £250m over the next five years, he predicted.

Mr Brown added: "But, more than legislation, it will require the pressure of public opinion that values fairness and dislikes unfairness that will eventually tame these boardroom excesses."

Ministers in industry, Page 7

### BUSINESSES FOR SALE

#### BANK OF ATHENS S.A.

**ANNOUNCEMENT OF A REPEAT PUBLIC INVITATION TO BID FOR THE PURCHASE OF THE ASSETS OF THE COMPANY NAMED "ATHENS PIPE WORKS S.A."**

The Bank of Athens as a special liquidator for the Company named "ATHENS PIPE WORKS S.A." which has been placed under a special liquidation procedure provided for in Article 46a of Law 1892/90 by virtue of Decision No. 386/792 of the Athens Court of Appeal, in the judgment section of that decision was construed by Decision No. 592/93 rendered by the same Court.

#### ABBREVIATIONS

a Repeat Public Invitation to Bid on the basis of sealed bidding bids for the sale, as a whole, of the assets of the Company named "ATHENS PIPE WORKS S.A." (hereinafter called "the Company"), as specified in the Bidding Memorandum.

#### BRIEF DESCRIPTION

The Company was founded in 1960 with a registered office located in Athens (Office Address: 260, Piraeus Street) and up to 1992, when the Company was placed under a state of special liquidation, the scope of its activities/business was as follows:

1. The production of Steel Pipes  
Longitudinally welded steel pipes (12" - 10 3/4") for water supply, mechanical structures line pipe casing and tubing (with API monogram), water pumping (ASTM) etc.  
Spiral, welded steel pipes (6 1/4" - 80") and  
Steel quick coupling pipes (diameter 70 - 150).
2. The production of steel enamelled bathtubs and  
3. the production of steel heating radiators.

Its factory, which is located at G.I.Y.F.A. DROSSIA, CHALKIDA is 432.7 stremmas (1 stremma = 1,000 square metres) in area and its enclosed space consists of five (5) independent large buildings and four (4) smaller ones and is 74,900 square metres in area.

The installed power of the mechanical engineering equipment is 30,000 KW and the total production capacity of the factory is estimated, depending on the pipe specifications, at 100,000 - 150,000 tonnes per annum.

Further, the Company owns a property located in Nea Ephraipa, Thessaloniki (49, Langada Street), the site of which is 17.2 stremmas in area and the enclosed space is suitable for use as a warehouse (5,143 square metres in area).

**BIDDING MEMORANDUM**

Every party concerned will be entitled to receive a detailed Bidding Memorandum and any other information concerning the Company's assets being under sale upon submission of a confidentially promise in writing.

#### TERMS OF ANNOUNCEMENT

1. **Example:** The Public Bidding Procedure will be carried out according to the provisions of Article 46a of Law 1892/90, according to the terms of this announcement and according to the terms which are included in the Bidding Memorandum, no matter whether they are repeated or not in this announcement. The submission of a bidding bid shall mean the unrevoked acceptance of all these terms.
2. **Bidding bids:** For participation in the bidding procedure the parties concerned will be summoned to submit a sealed written bidding bid until Tuesday, 28th of September 1993, 12.00 hours to Georgia Fiamengou, Notary Public for and in Athens of 31, Char. Trikoupi Street, 4th floor, tel. No. 3609476.

The price being offered must be explicitly stated within the bids and such price must be a flat price for the Company's assets being sold and the terms of payment must also be mentioned in detail (for cash or on credit, making reference to the number of instalments, the time of their payment and the interest rate being proposed).

Bids submitted out of time will not be accepted and will not be taken into account. Furthermore, bid clarifications, modifications, additions or improvements will not be accepted or taken under consideration after the unsealing unless there is a written request of the liquidator or the creditors representing more than 51% of the claims against the Company. The commitment pertaining to the bids shall be valid up to the assignment and the execution (signing) of the contract provided for in paragraph 7 of Article 46a of Law 1892/90.

3. **Letter of Guarantee:** Every bid will be accompanied by a Letter of Guarantee issued by a Bank lawfully operating in Greece of a three (3) - month term at least for which an extension shall be possible up to the assignment, for an amount of three hundred (300) million drachmas. A model of the letter of guarantee is contained in the Bidding Memorandum. Bids without a letter of guarantee shall not be taken into account. In the event of breach of the terms of the bidding procedure by a participant who will be regarded as highest bidder the amount of the letter of guarantee will be forfeited in favour of the liquidator as a penalty and payment of damages to himself.

4. **Way of submission:** The bids along with the letters of guarantee will be submitted within a sealed opaque envelope. The submission of the bids will be made in person or by a lawfully authorized person.

5. **The unsealing of the bids will be made by the Notary Public in his office on Tuesday, 28th of September 1993 at 13.00 hours. Those who have submitted a timely bidding bid will be entitled to be present upon the unsealing of the bids and sign the unsealing report to be drawn up.**

6. **Highest bidder:** The person/party whose bid will be judged by the creditors representing more than 51% of the claims against the Company (hereinafter called "the Creditors") at their absolute discretion, upon proposal submitted by the liquidator, as the most beneficial for the Company's creditors will be regarded as the highest bidder. It is noted that in the event that a deferred payment of the price is offered, the current value shall be taken into account for the evaluation of the bids, which will be calculated at an interest rate of 22% per annum compounded annually.

7. **The liquidator will advise the highest bidder in writing to come obligatorily at a place and time which will be determined in the notice for the execution (signing) of the appropriate contract for the transfer of the assets on the basis of the terms of his/bids bids and the other better terms, if any, to be recommended/indicated by the creditors, and agreed upon with the highest bidder.**

The assignment shall occur upon the execution (signing) of the relevant contract for the transfer. In the event that the person/party being regarded as the highest bidder breaks his/bids promise to come and sign the contract for the transfer of the assets as well as to comply with his/bids obligations resulting from this announcement and the terms of the bidding procedure, then the guarantee given shall be forfeited in favour of liquidator Bank of Athens for the purpose of the defrayal of the expenses of any nature and its work as well as for the purpose of covering any actual loss or loss of earnings, without the liquidator having any obligation to give any particular proof in regard to them. Further, liquidator Bank of Athens will have the subsidiary right to consider that the letter of guarantee amount has been forfeited in its favour as a penalty and ask for its collection from the guaranteeing Bank.

8. **All the expenses and costs of any nature for the participation in the bidding procedure and the transfer of the assets shall be exclusively borne by the parties concerned/buyers and the highest bidder, as the case may be. It is noted that in regard to this transfer the exemptions and limitations/restrictions referred to in paragraph 13 of Article 46a of Law 1892/90 shall apply, and the V.A.T., if any, on the items of movable property shall be borne by the buyer.**

9. **The liquidator and the creditors shall not have any liability or obligation towards the parties participating in the bidding procedure in regard to the evaluation of the bids, the appointment of the highest bidder, the decision concerning the repetition or cancellation of the bidding procedure and generally for any other decision relative to the bidding procedure. Further, the liquidator, the creditors and the Notary Public shall not be responsible in regard to any physical or legal defects of the items of property being sold. The submission of the bidding bids shall not grant any right to assignment. Generally, the parties participating in the bidding procedure shall not acquire any right or claim in regard to this announcement and their participation in the bidding procedure against the liquidator or the creditors for any reason whatsoever.**

10. **This announcement has been drawn up in Greek and in English (translation) in any event, however, the Greek text shall prevail.**

11. **For the receipt of the Bidding Memorandum and any additional information the parties concerned may address themselves to Mr Dem. Vaitalis, the liquidator's representative, in the Company's offices, 260, Piraeus Street, tel. Nos 4820828 - 4811375, fax No 4810171.**

Athens 27th August 1993  
THE BANK OF ATHENS



## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Saturday September 4 1993

# Slow-motion economics

**WORLD ECONOMIC** recovery looks like being painfully slow. Ironically, the upturn is being hampered by a legacy that derives in equal measure from opposite sides of old ideological divides. The high tide of interventionism and welfareism may have ebbed, but the public deficits remain to inhibit fiscal policy, regardless of the political stripe of incumbent governments. At the same time, an accumulation of private debt prompted by financial liberalisation has severely limited the usefulness of monetary policy in putting the economic show back on the road. The result is that economic recovery looks like being an unduly protracted affair. Is there anything that governments can do to reassert control over the business cycle?

Undoubtedly there is: but if the industrialised countries are to accelerate the growth process, they will have to learn some new tricks. For another striking feature of the world economy at present is that many of the traditional escape routes from recession are blocked.

The weakness of the US external account means that the world's largest economy will not embark on another experiment in global Keynesianism of the kind initiated by President Reagan in the 1980s. The Germans, who traditionally rely on an upturn in exports to pull themselves out of recovery, suffer from an unaccustomed lack of competitiveness, which will prevent them enjoying an adequate external boost. Domestic demand is constrained by the Bundesbank's tight monetary policy, while the federal government is being forced to confront the fiscal laxity that followed German unification.

## Joyless time

Japan has some room for fiscal manoeuvre and modest scope for further monetary loosening. But there are doubts about how far a new and wobbly coalition government will be willing or able to go. With the world's big three economies thus constrained, the other participants at the party are condemned to a fairly joyless time – especially if they impose on themselves excessive real rates of interest, as the French persist in doing. The few bright spots are to be found mainly among the devaluationists like Britain, Italy and Spain; and even their pleasure will be severely diminished if the French response to the collapse of the Exchange Rate Mechanism involves throwing an eleven-hour spanner into the works of the Uruguay trade round.

Against that background, governments have rightly perceived that the way to re-establish control over domestic demand is to

combine fiscal retrenchment with reforms to the supply side of the economy. Yet this is easier said than done. The verdict on President Clinton's budgetary package must await the full details of his healthcare reforms; but his much-trumpeted, narrowly-won deal with Congress was notably soft on tackling the structural element of the deficit. Similarly in the UK the jury will have to wait until November, when an untried Chancellor will unveil the first budget in which revenue and expenditure proposals are combined.

## Productivity advantage

The more interesting experiments are being carried out in the two miracle economies of the post-war world, Germany and Japan, where a consensual approach to economic management has been combined with heavy-handed regulation that has favoured the interests of producers over consumers. This week Mr Günter Rexrodt, the German economics minister, shocked people with a government discussion paper which suggested that Germans were overpaid, over-regulated, and over-subsidised.

In effect he was acknowledging that in a world without capital controls the comparative productivity advantage of Germany and other developed countries is being rapidly eroded and that a structural loss of employment to the developing world calls for some hard thinking about federal, state and local government benefits and subsidies that now exceed 50 per cent of GDP.

For its part, the new seven-party coalition in Japan has announced a list of 60 deregulatory measures designed to loosen up the notoriously inefficient distribution system and reduce the prices of many goods to the consumer.

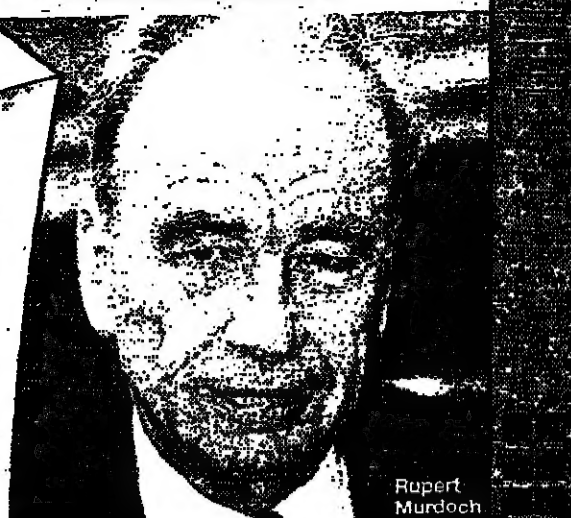
In economies that traditionally move by consensus, these are big changes. Paradoxically Japan, which is usually regarded as the most rigid of the G7 countries in matters economic, may be better placed than Germany to change gear. Even if the present coalition collapses, a generational change is firmly under way in the Liberal Democratic Party. Taken together with the attempt to reform corrupt money politics, it could imply that the country is close to one of those turning points in its history when the formation of a new consensus leads to very rapid political and economic change.

The impact of rapid economic growth in Asia will be painful for the older industries of the developed world. But in the long run trade remains a positive sum game in which all will ultimately benefit from the dynamism of these new entrants to the market system.

## Publishing

**US: Newspapers**  
New York Post, Boston Herald  
**Magazines**  
Mirabella, TV Guide, FBI Division  
**Books**  
HarperCollins Publishers, including HarperCollins Perennial & Zondervan  
**UK: Newspapers**  
The Times, The Sunday Times, The Sun, News of the World, Today  
**Magazines**  
Times supplements, Shoppers Friend  
**Books**  
HarperCollins Publishers, including Fontana, Grafton, Thorsons & Tolkien  
**Australia and Pacific Basin:**  
**Newspapers**  
The Australian (national), 108 local/state newspapers  
**Magazines**  
7 including New Idea, TV Week, Australian Post  
**Books**  
HarperCollins Publishers  
**Hong Kong:**  
**Newspapers**  
60% of South China Morning Post, Sunday Morning Post, Wah Kiu Yat Po  
**Fiji, Papua New Guinea and Hungary:**  
**Newspapers**  
The Fiji Times, The Post Courier, and 50% of 3 Hungarian newspapers

## News Corporation's media network



## Broadcasting

**US: Television**  
Twentieth Century Fox, Fox Broadcasting Company & 8 Fox affiliated stations  
**Latin America: Television**  
Fox is launching cable TV from Mexico to Argentina  
**UK: Television**  
50% of BSkyB  
**Australia: Television**  
15% of Seven Network  
**Asia and the east: Television**  
63.6% of HutchVision, Star TV  
**Other interests**  
**US: E-zak, News Electronic Data**  
UK: Sky Radio (71%), Broadband Ltd, Conveyo Group, News Datacom, News International Exhibitions, The Times Network Systems  
**Australia and Pacific Basin:** 49% in each of 14 commercial printing firms, between 26% and 50% interest in Australasian Industries, Australasia, Newsprint Mills, Computer Power, Eastwind Airline, Festival Records, F.S. Pathner & Sons, Telecommunications, Leisure Industries

Rupert Murdoch's reach is global, says Raymond Snoddy, prompting criticism of a concentration of broadcasting power

# Media mogul with the mostest

**T**he older he gets, the faster he seems to move and the more radical and global his business vision becomes. At 62, Rupert Murdoch is, depending on who you believe, entering the sinister endgame of a plot to dominate the media world with his evil empire, leaping over outdated regulatory barriers and offering unrivalled choice to consumers everywhere, or finally succumbing to the archetypal media mogul's disease – megalomania.

Even by Murdoch's standards, this has been an extraordinary week. Apart from the theatricals of the launch of Sky Television's new subscription package, which by next year will include 20 channels, he pulled the following rabbits out of his hat: a 24-hour cable channel in the US; a second Sky Sports channel in the UK; a link with BT to investigate the "super" communication highways of the future; and tie-ups with two other significant media players – Mr Emilio Azcárra Milmo, of the Televisa empire in Mexico, and Mr Leo Kirch in Germany, who owns extensive rights to show Hollywood films there.

In addition, there was a venture with National Transcommunications of the UK, and Comstream of the US, to produce a digital satellite system which could lead the way to hundreds of television channels in both Europe and Asia; the \$12m purchase of Delphi, a Boston-based company, looking at electronic newspapers, a deal seen by Murdoch as an investment in research and development; and, in the real newspaper world, the decision to cut the price of his flagship UK daily, The Times, from 45p to 30p.

Just as the flurry of activity seemed to be dying down and Murdoch left London to head home to Los Angeles for his daughter's wedding next week, another big development was under way in Hong Kong yesterday.

The chairman of News Corporation was negotiating the sale of a majority stake in the Hong Kong daily to produce the South China Morning Post. Murdoch was clearly increasingly nervous about the difficulties of running a daily newspaper once Hong Kong reverted to China's control in 1997 and was happy to take his profits. The long-planned sale was delayed by negotiations to get into the Hong Kong television market – talks which led to the \$525m purchase in July of a majority stake in Star TV, the Hong Kong-based satellite television company which broadcasts five channels to 38 Asian countries.

For Murdoch, Star TV is obviously the "big one". He can scarcely restrain his enthusiasm about the

potential of the Asian market, although he is also keenly aware of the risks he has taken on.

"It's a global dream that you never quite dared have, and suddenly it's there," he said in an interview before announcing the "new age" of satellite TV in the UK.

"India is a huge market. I see Star being split into at least two companies – one for India and one for China. They are totally different cultures." He added that eventually he foresaw a separate Star service for the 200m people of Indonesia. In countries such as China the hope would be to run several joint channels with local broadcasters.

The global gleam in Murdoch's eye is that soon he will own channels that circle the globe.

"We will now take Sky Sports around the world. We will take Sky News around the world. There will be a parallel international service and Sky News as we know it today will be for Britain and Europe," he said, adding that he planned to work with local partners for the international service in different parts of the world.

Such a sweeping vision makes it inevitable that Murdoch will challenge both the BBC World Service Television – although the BBC's 10-year contract to be carried on the Star system will be honoured – and, more particularly, Mr Ted Turner's Cable News Network.

"I don't want to say any more about that (Sky News) because it looks as if I've got a war with Ted Turner which is what it means. He has said all along I know where my competition is coming from: it's Rupert," Murdoch said.

The risks in Asia are great. Problems range from the difficulty of producing satellite dishes cheap enough for Asia's mass market, to allegations of cultural imperialism, and the difficulty of persuading the Chinese authorities to allow direct satellite broadcasts rather than waiting for cable networks to be

built. Cable would give the authorities more control over what is viewed. If, for any political reason, Star was no longer welcome in Hong Kong, Murdoch believes it could be broadcast from Los Angeles – "certainly Australia".

Because of this uncertainties, News Corporation has financed the Star deal through equity rather than debt. Murdoch has become more wary of taking on debt since News Corporation came within hours of collapsing three years ago. The company's borrowings had ballooned to more than \$7bn following a series of acquisitions, including TV Guide in the US.

**T**he origins of this long march into Asia and his growing ambitions lie in London, and the creation of a satellite system broadcasting to more than 3m homes in just over four years.

"There is no question we have shown here (the UK) that first in gets the market," Murdoch said. Sky Television was first into the UK satellite market, followed closely by British Satellite Broadcasting. By the time the two merged into BSkyB in November 1990, Sky was in the driving seat. (Pearson, publisher of the Financial Times, has a significant stake in BSkyB and News Corporation owns half.)

The satellite company is now trying to learn another important lesson: how to create what is virtually a subscription-only service and persuade people to pay for at least one channel. Sky One, that until now has been "free".

Rather surprisingly, the plan to sugar the pill with an array of new channels, most from the US – covering everything from country music, family entertainment, women's features, to children's programmes, a shopping and a documentaries channel – seems on track.

The growing financial muscle that should flow from BSkyB's sub-

scription revenues, combined with News Corporation's ownership of five national newspapers in the UK, from The Times to the News of the World, is leading to more intensive calls for government action to combat Murdoch's media hegemony.

Under the headline "Sky Trek: The Next Degeneration", Labour's shadow national heritage secretary, Ms Ann Clwyd, issued a statement this week, arguing that the "unregulated growth of Mr Murdoch's empire is an affront to a democratic society". She called for an urgent Monopolies and Mergers Commission investigation. Yesterday, Labour formally called on the Office of Fair Trading, the consumer watchdog, to intervene.

Part of News Corporation's growing power lies in the technology it has developed for subscription television. Almost all the channels in the Sky Multi-Channel package are "scrambled" so that only those who pay can view. The channels are "unlocked" by a "smart card" like a telephone card. The system is called VideoCrypt. Murdoch plans to take VideoCrypt to Germany in a joint venture with the German broadcaster Pro7, which is associated with the Kirch organisation.

"It looks as if we will get VideoCrypt as the standard," Murdoch said, adding he intended to expand into Germany, where there are already 5m dishes, and carry several Sky channels in English.

"We hope it will become a bigger partnership with Kirch – pay-per-view (paying for individual programmes or events) and a movie channel. We will co-operate with anyone who can clear German rights for their programmes," Murdoch said.

The German alliance is coming at a time when Murdoch's proposed partnership with Canal Plus, Europe's leading pay television group, is crumbling. "That partnership has fallen apart. We are trying to put it together again but the

French are very difficult," he said. Murdoch is just as interested in the studios of Televisa in Mexico City, which specialises in the production of popular romantic soap operas. Under a joint venture with Fox Broadcasting, Murdoch's US network, more than 500 hours a year will be produced of soaps and events. The first event will be a search for the best young opera singer in the world.

The multilingual soaps will break new ground in production economics. There will be a chief executive, a single script and single set, but two directors. The Spanish-speaking director will work the first eight-hour shift with Spanish-speaking actors. In the next eight-hour shift, the same episode will be produced, using American actors.

"This will get out costs down and provide prime-time broadcasting for our new channel in America," said Murdoch, who hopes to sell them around the world.

"We can now go to Procter & Gamble and say: 'Do you want to sponsor this soap opera around the whole world?'" said Murdoch.

**H**e has got to such a commanding position for two principal reasons. He has assiduously monitored new technology – always a few paces behind the visionaries but a step or two ahead of most corporate giants. He has been prepared to follow hunches in creating markets rather than waiting for others.

But Murdoch is still restless, looking to see where technology is going next. This characteristic is highlighted by the joint venture with BT, the trick will be to combine, on an experimental basis, satellite, cellular and ordinary telephones to provide information and entertainment direct to 500 homes. With Delphi, the prospect will be of an interactive electronic newspaper where subscribers can call up stories, say from The Times on small portable screens.

But that will not be the end of the story. On Wednesday night, at a Whitehall banquet to mark the launch of the new Sky package, Murdoch interviewed by satellite Arthur C Clarke, the man who first set out the concept of satellite television more than 50 years ago.

In the conversation, Clarke referred to a device, perhaps like a watch, that would give instant voice and visual contact with anywhere in the world or call up information from anywhere in the world. Murdoch, who claimed this week that technology was undermining the traditional power of the media mogul, was all ears.

## MEN IN THE NEWS: Arafat and Rabin

# The Middle East's odd couple

Julian Ozanne and Andrew Gowers on hands of friendship across the desert



**C**airo, January 1994. A small, pudgy Arab in well-worn khaki fatigues strides up the steps of the presidential palace, salutes the guard and stands before an unsmiling Israeli with white, dishevelled hair. Hesitantly, the two elderly men shake hands and look each other in the eye. Peace is declared in a conflict that has shaken the Middle East since well before the Jewish state was founded in 1948.

A summit meeting between Yasser Arafat, chairman of the Palestine Liberation Organisation, and Yitzhak Rabin, prime minister of Israel – lifetime enemies who still cordially detest one another – is, of course, still a fantasy.

But it is a measure of the current momentous events that it no longer seems unthinkable. A week ago, hardly anyone would have expected to see the Israeli government negotiating with the PLO, or hear both sides hailing unprecedented draft peace accords allowing for mutual recognition and for Palestinian self-rule in parts of the Israeli-occupied West Bank and Gaza Strip.

Now it seems only a matter of

Knesset in Jerusalem next week – were negotiated for Israel by foreign minister and Labour party rival Shimon Peres. It is Rabin's political imprimatur, and the trust in which he is held as a guarantor of Israeli security, that has won them popular support in Israel.

On the Palestinian side, the accords are almost exclusively of Arafat's making: a desperate last throw by a weakened leader to secure a part of Palestine before all is lost. Whether he can make the agreements stick, or how they will work in practice, must remain open questions. But there is no doubt that he has staked his political life – and maybe his physical life as well – on making them do so.

What makes this week's events vibrate with significance is the fact that the principal personalities have featured on opposite sides of the Middle East's most traumatic political divide for so long.

The life story of Rabin, a gravel-voiced, chain-smoking 71-year-old, reads almost like a history of the state of Israel: a commander with the Palmach guerrillas during the 1948 war of independence (in which Arafat claims to have fought on the Arab side), he has served as prime minister twice; first time round in 1974 he was the first native-born Israeli to occupy the job. He was chief of army staff during the 1967 Six Day War, Israel's most stunning military success, and ambassador to Washington during the early 1970s as Israel fought the Arabs again and forged its strategic partnership with the US.

Now, having conquered the West Bank, Gaza and Golan Heights 26 years ago, he may find himself able to hand parts of them back.

To many Israelis, Rabin personifies the mixture of toughness and plain-dealing they like to see in themselves. It has long been the soldier-turned-politician's view that peace with the Arabs is necessary, but that it should never be granted at the expense of Israel's security. As defence minister in the 1980s he was behind the bombing of PLO headquarters in Tunis, the assassination of Arafat's number two, Khalil al-Wazir, and the policy of "might, force and beatings" adopted to suppress the Palestinian uprising

in the occupied territories.

And it was as strong man prepared to negotiate from strength that he was elected last year to a second term as premier after a bruising leadership battle with Peres. Since then he has shown no let-up, deporting 400 Islamic fundamentalists, sealing off the territories after a wave of stabbings and launching a devastating bombardment against Lebanese civilians in

retaliation for guerrilla attacks against Israel.

Yet such actions have consistently been combined with calls for a negotiated peace with Arabs.

Ever since his troops stormed through the West Bank in 1967, he has known that Israel could not rule over their Palestinian inhabitants for ever and remain a predominantly Jewish democracy. He has frequently pointed to the dangers of

weapons proliferation and increasing Islamic extremism in the Arab world as arguments for Israel to exploit every opportunity to make a deal – on its own terms.

That such an opportunity has now presented itself is largely thanks to the PLO's Arafat, a man whose stubbly face and chequered *kaffiyeh* have been synonymous with the Palestinian struggle for more than 25 years. It was he who

decided, after 22 months of fruitless on-off negotiations between Israel and a Palestinian delegation in Washington, to propose that Israel withdraw its forces first from Gaza, a squalid sliver of land on the Mediterranean where Arafat's parents were born, and from an area round Jericho in the West Bank. Palestinians there would be granted self-rule – initially under PLO authority – as part of a phased, interim programme for autonomy in the occupied territories. Their final status would be settled later.

From Israel's point of view the deal is a dream: it leaves Jewish settlements in the territories intact, preserves full Israeli control over its security and borders, does not broach the thorny subject of Jerusalem (claimed by Israel as its "eternal, indivisible capital") and does not concede a Palestinian state. Instead it allows the two sides five years to discover whether they can cohabit in something resembling harmony before further steps have to be taken.

For the Palestinians, the fruits are more bittersweet. They have refused countless better offers, stretching right back to the 1920s. On every occasion they could advance good arguments for holding out for more. The danger, as they discovered through hard experience, was that – like Bosnia's Muslims – they would get nothing.

The hyperactive, obsessive Arafat has long been conscious of the need to compromise. He confides to friends that he is haunted by the spectre of failed Palestinian leaders in the past – men, as he puts it, who "were always right and ended up with nothing". Since 1974, he has urged his fractious cohorts to adopt more flexible approaches to their struggle for statehood, culminating in 1988 in the PLO's decision to recognise Israel and accept the partition that the Palestinians refused in the 1940s. Now he appears to be going further, accepting arrangements for autonomy he had previously likened scornfully to South Africa's Bantustans.

Several factors have conspired to galvanise the PLO leader into his desperate last throw. First, he is all too conscious of the weakness of his organisation in faraway Tunis:

bereft of money and powerful friends after his disastrous alignment with Saddam Hussein in the Gulf war, and riven by internal dissension. Second, he was deeply worried by the advance of Islamic militancy – represented by the fundamentalist group Hamas – in the occupied territories. Third, he may well have been rattled by the apparent emergence of an alternative Palestinian leadership there in the person of his long-time comrade Faisal al-Husseini. If there is one thing that Arafat has single-mindedly striven to preserve in his 24 years as PLO chairman, it is his own position in the limelight as representative of the Palestinian cause.

Thus it is that the guerrilla leader of old is preparing to return and take direct responsibility for the Palestinians under occupation, and that Israel and the PLO find themselves – like FW de Klerk and Nelson Mandela in South Africa – in the bizarre position of contemplating joining forces against the extremists.

Even assuming he can force the

mutual recognition and autonomy deals through his organisation's

**Rabin personifies the toughness and plain-dealing Israelis like to see in themselves**

inner councils in the next few days, he faces a challenge keeping violent opponents within the territories in check. In Gaza at least, where militants are particularly strong, something not far short of a Palestinian civil war may be in prospect.

Arafat's hope must be that his return as figurehead of Palestinian nationalism – coupled with the deployment of large amounts of international aid money – will give such a strong boost to Palestinian morale that the Islamic or other radicals will melt away. The alternative – that his deal with the Israelis has come too late, and that the territories are now beyond redemption through economic development or autocratic rule – is too awful to contemplate.

**It may not be too long before Yasser Arafat rides triumphantly through sleepy Jericho**

days before agreements of this kind emerge – possibly triggering a sharp acceleration of the Middle East peace process, and the signing of similar accords between Israel and all its Arab neighbours. Provided that nothing bloody or unforeseen occurs in this most unpredictable of regions, it may not be too long before the world watches a sight that few expected to see: Yasser Arafat staging a triumphal ride through the sleepy Jordan valley town of Jericho.

That such events have moved from fiction to possible fact is, in significant part, due to Rabin and Arafat.

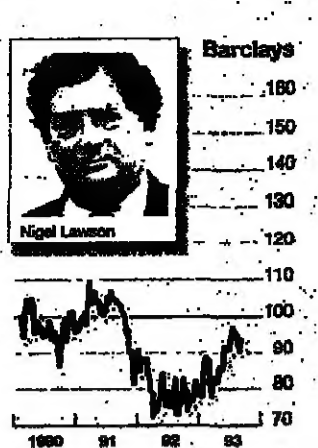
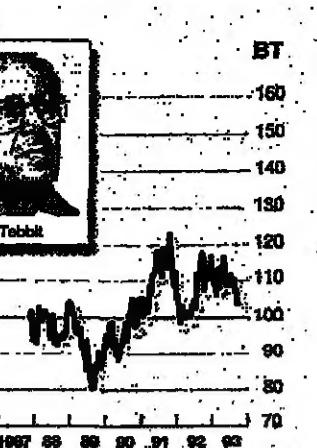
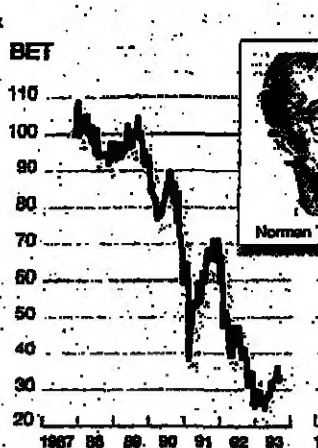
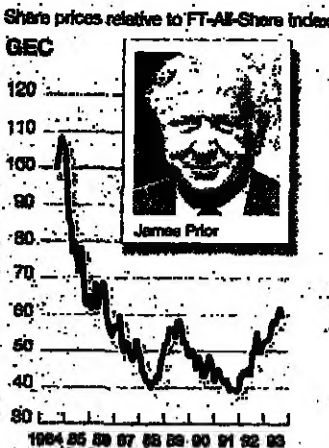
Although the draft accords – due to be voted on by the PLO's central council in Tunis and the Israeli



# Few prizes from the politicians

Robert Peston questions former ministers' value to business

Jobs for the boys: share price performance since their appointments were announced



The Labour party this week made its ritualised complaints when Mr Norman Lamont, former Chancellor of the Exchequer, joined merchant bank N M Rothschild, following the well-trodden path taken by former ministers to the private sector.

Mr Gordon Brown, shadow chancellor, wants former ministers to be paid for at least two years after leaving office. The implication is that companies derive an unfair benefit from the expertise and contacts of former ministers.

However, hard evidence that former ministers boost profits of the companies they join is patchy, prompting one headhunter to remark, only half in jest: "If Labour remained committed to the overthrow of capitalism, it should be encouraging companies to employ ex-politicians."

Another headhunter, Mr Nicholas Cobbold, of Knight Wendling, concurs: "I can hardly remember a politician making a success of business. I can tell you how many of them ring me up for help [in getting jobs]."

Sir Evelyn de Rothschild, who controls the bank Mr Lamont is joining, says the benefits the former chancellor brings include his knowledge of interest rate movements.

But those comments did not assuage the fears of one Rothschild executive worried about Mr Lamont's less than impeccable record in office, not

helped by disclosures last year about the way he managed his personal financial affairs.

Nonetheless, so many ex-ministers have been taken on by companies and City firms, that some must be of value to their new employers. Many of those who succeed seem to do so in large part despite - rather than because of - their ministerial experience.

Mr Michael Marks, chief executive Smith New Court, the securities house, says that Lord Walker, who served in the 1980s as secretary of state for energy and later for Wales, has been a tremendous help to his firm as a non-executive director.

But he says it is Lord Walker's business expertise, not his government experience, which has been most valuable. "He started Slater Walker [and left that banking group before it collapsed in 1974], says Mr Marks. "He knows how to make a profit."

Lord Walker showed his commercial acumen when he had a last minute change of heart in mid 1991 about becoming chairman of Maxwell Communications Corporation, only months before MCC's founder Mr Robert Maxwell died and his business empire collapsed.

Lord Young, who as chairman of Cable & Wireless, has telecommunications group, has more executive responsibilities

than most other politicians-turned-businessmen, says the four years he spent as employment secretary and then as trade and industry secretary taught him nothing about how to run a company. He regards his period in office as a brief interlude in his long-running business career - he used to be a property developer.

Mr Dick Taverne, one of a handful of former Labour ministers to have picked up directorships (for the past 15 years he has been a director of industrial group BOC and of insurer

Equity & Law) says ministerial experience is not in the least bit relevant to taking an executive post. "Ministers do not run their departments," he says. "Their permanent secretaries do that."

Politicians who cross over into commerce fall into two broad groups: those like Lord Tebbit, Sir Norman Fowler (who resigned this week as a director of security company Group 4) and Lord Walker who have each accumulated a hatful of non-executive directorships and a small group,

including Sir John Nott and Lords Young, Younger and Prior who take on greater responsibilities as chairmen of big companies.

The main role of any non-executive director is to monitor the performance of executives on behalf of shareholders. Mr Taverne says: "Politicians can be good monitors, but the best monitors are more likely to be former merchant bankers, or management consultants."

On the other hand, non-executives can sometimes be poor overseers, no matter what

their background. The non-executive directors of Barclays, who include Lord Lawson, the former Chancellor, and also some of the UK's most powerful businessmen, such as Sir Denys Henderson, the ICI chairman, have been widely criticised for the clumsy way in which they managed the process of finding a replacement for Barclays' former chairman, Sir John Quinlan, over the past year.

Ministerial experience may, however, be appropriate training for chairmen. Lord

Younger, former defence secretary and now chairman of Royal Bank of Scotland, has "a remarkable ability to defuse difficult situations", according to Dr George Mathewson, RBS's chief executive.

What the Labour party gets exercised about is the notion that former ministers exploit their political friendships to win valuable state business. There is evidence that companies with international interests can benefit from a former minister's contacts.

Lord Prior has been helpful to GEC, where he is chairman, in opening doors outside the UK. "In certain parts of the world he is very useful," says a GEC adviser.

"When I go to Egypt and Pakistan, they [the officials and ministers] know me from my time in government", Lord Young says. "It is helpful if you are dealing with issues such as getting an overseas license."

He says that Mr Francis Maude, former financial secretary, is the best example of a politician profiting from his ability to deal directly with senior foreign politicians. Mr Maude is paid an estimated \$500,000 a year to head up the team at US investment bank Morgan Stanley working on international privatisations.

Lord Young is adamant, however, that there is nothing

sinister about using business contacts in that way. "It is quite legitimate", he says.

Closer to home, Smith New Court has won Welsh clients as a result of the connections Lord Walker made as Welsh Secretary.

The Labour party is most outraged when former ministers join the boards of companies they may have regulated or privatised as ministers (examples include Lord Walker at British Gas, Lord Tebbit at British Telecom, and Lord Young at Cable & Wireless).

But a company's relationship with UK officials and ministers can be strained by having a former minister as a director. Lord Young says: "Civil servants get very nervous when an ex-minister comes in." He says they are so keen not to show favour to a former minister that they may discriminate against him and his company.

Lazard Brothers, the UK merchant bank, was acutely aware of this danger when Sir John Nott, the former defence minister, was its chairman, and he rarely tried to exploit his contacts.

Similarly Solomon Brothers insisted that Lord Young, who is a director of the US investment bank, should stay as far away as possible from its attempt to secure a role in the government's sales of BT shares in the spring. The sad truth for shareholders in companies which employ ex-ministers is that Labour's conspiracy theories are not watertight.

Are the Tories losing the initiative on law and order, asks John Willman

## Crime and punishment



Michael Howard (top) and Tony Blair: both want to be seen as tough on crime

Across Britain, a new spirit of vigilantism is taking root as people despair of the rising tide of crime.

Recent examples include:

- The Norfolk village that united to protest at five-year prison sentences for two men convicted of kidnapping a 16-year-old wrongly suspected of being behind a local crime wave.
- The gang of vigilantes in Newtown, Powys, calling themselves the "twelve just men", who administered rough justice on local bootleggers by inserting a ferret into their trousers.
- Mr Stanley Kalms, chairman of Dixons Group, the UK's largest electrical retailing chain, who said in June that shopkeepers were forced to adopt vigilante tactics to stem the rising tide of property crime.

This week, a Gallup opinion poll in the Daily Telegraph found that three-quarters of those questioned thought that vigilante actions such as these could sometimes be justified.

The reason? Nearly half those questioned had little or no confidence in the police. Only 9 per cent saw justice being done in trial sentencing and 77 per cent thought sentences were too light.

This will make worrying reading for Mr Michael Howard, home secretary since May, as he approaches this year's Conservative party conference. The conference has often been an uncomfortable occasion for Tory home secretaries. The assembled representatives regard a tough line on law and order as one of the party's core values. Many would like to see a return of hanging, some of flogging.

They will want to be reassured that he can reverse the rising tide of crime, which has doubled the number of annual recorded offences in England and Wales from 2.5m in 1979 to 5.5m in 1992.

He will not find it easy. Crimes affecting the everyday life of ordinary people have reached record proportions. Domestic burglaries totalled 708,200 in 1992, thefts of vehicles 587,900 and thefts from vehicles 964,200. There were 902,500 offences of criminal damage, including vandalism, which provides an all-too-visible reminder of rising crime.

The growth has been enormous. Domestic burglary has almost trebled since 1979, thefts from vehicles are up 243 per cent and criminal damage has risen 180 per cent. Growth rates in most crimes have accelerated since 1988.

Some of the rise reflects greater reporting by victims, who increasingly have insurance cover and need a police report to make a claim. But the British Crime Survey - which is based on asking people about their experiences of crime - suggests the recorded figures seriously underestimate the crime rate. Actual crime levels for the offences that can be surveyed by this means may be three times the recorded crime figures. The 1992 survey found that twice as many domestic burglaries were

committed as recorded, three times as many thefts from vehicles and seven times as many offences of vandalism. Most crimes go unreported, says the survey, because the victims either regard the offences as trivial or feel that the police would be unable to take any effective action.

On the latter point, the popular wisdom may be right. Though crime rates have risen, clear-up rates have declined. In 1979, over 42 per cent of notifiable offences were cleared up; by 1992, the figure had fallen to 28 per cent.

More than three-quarters of serious offences, such as violence against people and sexual offences, are cleared up. But fewer than one in five domestic burglaries, vehicle crimes and criminal damage offences are solved.

Adding to the government's discom-

fort over these figures is the fact that some of the biggest rises have been recorded in the Tory heartlands. Gloucestershire, for example, has seen home burglaries rise by 552 per cent since 1979 while car crime is up 489 per cent. Leicestershire, Avon and Somerset, Warwickshire, Lincolnshire and Norfolk are all at the top of the league tables for growth in crime.

This rising tide of crime has been skillfully exploited by Mr Tony Blair, the shadow Home Secretary and one of the most adroit strategists on Labour's front bench. He recognised that previous attempts to capitalise on the government's crime record had failed because Labour was seen as "soft" on criminals. He has therefore placed himself at the forefront of attacks against the government for failing to be tough

on crime, wrong-footing Conservatives who see this as their constituency.

Mr Blair has linked this with an older Labour refrain on the importance of tackling the underlying causes of crime, including youth unemployment, absence of training opportunities, poor housing and falling standards of living among the lowest-income households.

This perspective has received unexpected backing from Home Office research published in 1991 that provided evidence of a link between the state of the economy and crime levels. The study showed that levels of crimes against property grow faster when the economy is in recession and more slowly when the economy is growing.

If Mr Howard hopes to reduce the crime level without waiting for the recovery, he will have to find ways of improving the clear-up rate.

A 1 per cent increase in the clear-up rate would, on average, reduce the number of burglaries by 1.6 per cent, according to Dr David Pyle, an economist at Leicester University.

Certainty of punishment is more important in deterring crime than its severity, says Dr Pyle. However, increasing the severity of punishment by imposing more and longer prison sentences appears to be cheaper than increases in police manpower.

The government has already chosen the more cost-effective route. Prison numbers are again rising following the decision to revoke elements of the 1991 Criminal Justice Act designed to reduce Britain's high prison population. This week's announcements on increasing private sector involvement in Britain's prisons should allow the Prison Service to increase capacity without a leap in its budget. By contrast, police numbers are unlikely to rise. The priority will be implementing Sir Patrick Sheehy's report as part of the package of reforms to the police service. Additional funds for police resources are unlikely with a public sector borrowing requirement of £50bn.

For Mr Howard, therefore, the options are relatively limited as he works on his speech for the October conference. He cannot offer the delegates more police officers, though he may encourage further use of unpaid special constables. He can also try to legitimise vigilantism volunteer schemes, such as the "parish wardens" pioneered this week in three Herefordshire villages.

But the home secretary will promise more custodial sentences for convicted criminals and fewer cautions. He will also say that sentences will be longer, as courts regain the right to consider previous convictions when sentencing. And he will curdle the constituency representatives' blood with pledges to make prison regimes less comfortable.

Whether this will satisfy the "twelve just men" and their avenging ferret remains to be seen. But it is all Mr Howard can offer in present circumstances.

## Earth Mother Exec seeks New Man

Rachel Johnson on feminism and thirtysomethings

You've come a long way, baby," boasted the Virginia Slims cigarette advertisements in the 1970s, as author Shirley Conran, aka Superwoman, revealed that life was too short to stuff a muffin.

But the myth that today's woman can have it all after 100 years of feminism and 20 of the equal opportunities industry was exploded this week.

A national survey of 11,000 men and women of all backgrounds born in 1958 suggests feminism has failed Britain's female thirtysomethings. The survey, funded by the Economic and Social Research Council, found most women were caring for the children, many as lone parents; moreover, they were doing the bulk of the housework and earning less than men.

Women's average full-time hourly pay, at £4.40, was 85 per cent of their male counterparts; women working part-time earned just 23 an hour on average; and affordable childcare facilities and company creches were "virtually non-existent".

Do these findings strike a chord with professional women in the 30s?

Rosa Monckton, managing director of Tiffany, the jeweller, has an eight-month-old daughter, mortgage and busy husband. She is typical of women who have found the combination of work and motherhood more demanding than anticipated.

"We want too much and expect too much," she says, even though she has been able to juggle her hours to see her daughter, Savannah. "You can combine motherhood with a job, but it's bloody. I feel particularly sorry for single mothers who have to work." She has rearranged her day so that she leaves the office at 4.30pm to be home in time to give the baby supper.

Nina Harris, 36, set up her own estate agency, which she

runs from her home in Notting Hill, London, two and a half years ago. This has made her recent return to work after her son's birth less traumatic.

"I've tailored my life down now, taking over from the nanny at 4pm on the dot. If I had to do mental tasks I'd be sent over the edge. But I am responsible for laundry and shopping," she says, echoing the ESRC survey's finding that only one in five men shared

household chores.

For married glider and artist Clare Mosley, today is the fourth day that she has been back at home in Camberwell with her toddler, Augustus, her first child, since packing up her studio in Battersea.

"I'm climbing the walls but he's loving it," she says. "It's mind-numbing but I thought I would try to do one thing at a time."

Different generations of women have, she believes, had different attitudes. "My mother was brought up to have a husband; her expectations were very low. Ours are so high. We have to have the husband, the job, the children and the right colour kitchen."

She worries that, having temporarily stopped working, she will be confined to the social ghetto sometimes inhabited by "mothers who do not work." Men lean across you at dinner parties to talk to each other," she remarks.

Praise for feminism is more likely from professional women without children. Bridget Larmour, 33, artistic director of Contact Theatre in Manchester, believes "every politically conscious feminist is making things easier for the next generation."

Even so, she believes that having it all - high-powered job, children, home and professionally satisfied husband - is not possible. "The state is no help whatsoever, employers expect unreasonable hours, and the extended family's not there."

It seems, ultimately, that Executive Earth Mother can not exist without domesticated New Man, and he has failed to materialise.

But men pay a price too. "They have no flexibility at all," says Alison Coburn of Common Purpose, an educational charity.

Feminism may not have solved the problems of today's female thirtysomethings. But it has liberated men from their bondage either.



## Corruption now high on the ethical agenda

From Mr Lawrence Cockcroft

Sir, Samuel Brittan's article, "How economics is linked to ethics" (September 2), strangely omitted to deal with corruption in this context. Strange, because this year has seen at least four major or significant governments (Japan, Italy, Brazil and Kenya) shaken to their foundations or overturned on the issue of corruption at the interface of business and government. Elsewhere, corruption at this interface gnaws ever more deeply into the social fabric, an effect which is at least partly an (unintended) by-product of large-scale privatisation.

The issue is now clearly a major one on the global agenda. Its effects are particularly disastrous where they lead to the chronic misallocation of resources in the developing world, and so directly foster impoverishment.

The ethical questions are also complex: at first sight the securing of an award for a major power plant in a country of the south may sustain several hundred jobs in the UK for

a period of months. That is unquestionably good news. It is less good if the contract has been awarded because a bribe has been paid and a more cost-efficient, environmentally friendly power plant should have been installed. The UK or EC taxpayer may have helped sustain employment through subsidies such as the Trade and Aid facility, but have contributed to a negative effect in the south.

There are many involved in the exporting world who are concerned about this dilemma. In the US an exporting company can pay fines of up to \$2m and a responsible director or company official can go to jail for up to five years for transgressing the Foreign Corrupt Practices Act.

Yet most EC countries and the UK allow bribes paid in pursuit of overseas business as a tax deductible expense if appropriately "buried" in the accounts. Laurence Cockcroft, Transparency International, PO Box 3378, London N5 2TF

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please see fax for finest resolution

### No quick fix, but a benefit to UK industry

From Dr Geoffrey Broad

Sir, Recent letters have highlighted the polarised opinions on the success, or otherwise, of working practices in Japanese subsidiaries in the UK (July 19, and August 22/29). Both positions may, in fact, be accurate. There is no general agreement that Japanese, like other foreign multinationals, select strategies and methods to manage successfully the interface between local human resources and production technology set in the context of a changing

international business environment. There are, however, variations in the responses of local managers, workers and trade unions to the application and adaptation of Japanese-style management. Why then do "traditional" low trust and adversarial attitudes appear evident in some plants and not apparently in others?

We know that Japanese manufacturers undergo phases of organisational development which may, in part, account for the variable performance

and employee attitudes. None of them can therefore expect to be completely immune from some industrial relations problems associated with the introduction of high employee participation systems which increasingly link remuneration with close appraisal and team working. Such "prototypes" have important implications, not only for shop floor relations, but also in terms of the propensity of local managers and supervisors to work with their Japanese colleagues in

participative modes. "Japanisation" can never be simply a quick fix to the problems of British industry. However, we need to explore further the dynamics of change in these plants and more Japanese firms should assist by opening up research access to allow detailed empirical investigations to take place.

Geoffrey Broad, lecturer in comparative industrial relations, University of Salford, Salford, M6 6PU

### No impoverishment prior to directing The Mousetrap

From Mr Peter Cotes

Sir, It gives me no pleasure to contradict such an authority as Lord Goodman, but this I am compelled to do in view of your Observer story, "Sound advice" (August 19). The facts rather than the "fancies" of what has become a

highly charged matter are detailed in my recent autobiography "Thinking aloud". I was not, as Lord Goodman suggests in his memoirs, "impoverished" when Peter Saunders asked me to direct The Mousetrap. I had three successful productions in being at the

time. It was not an Arnold Goodman's advice that I took a royalty on the production as payment; I had already been offered 1 per cent and his role was limited to drafting a letter for my agent to send to Saunders suggesting 15 per cent. While not as humorous as

my old friend's book of anecdotes (how could it be?), my own work is without doubt more accurate in dealing with "Goodie's" amusing encounters with theatricals. Peter Cotes, 7 Hill Lane Court, Chipping Norton, Oxon

## Credit management best solution to debt problem

From Ms Elaine Jenkins

Sir, While the Forum of Private Business cannot be faulted on its efforts to obtain a statutory right to charge interest on overdue debts ("MPs back right to levy interest on late debts", August 19), I wonder whether its energy is correctly directed? We already have a right to charge interest on overdue debts and any experienced credit manager will be able to obtain this without the need for parliamentary intervention (Interest on Debt Bill).

May I suggest that if the FPB has sums available to pursue this matter, they be directed towards the training of suitable candidates to become

effective managers of credit.

Credit management is a relatively new profession which has emerged over the past few years. A good credit manager can make all the difference between the success or failure of a business. Whether we have a statutory right to charge interest on the late payment of debts or not, the problem will still be the collection of this money - all businesses will end up with a bigger financial problem unless they have the right people to collect their debts in the first place.

Elaine Jenkins, Willow Cottage, Princes Road, Buckhurst Hill, Essex IG9 5DZ

### 'Rationalists' oppose Maastricht

From Mr Paul G Byard

Sir, Many people throughout Europe (and other parts of the world) have serious reservations about the Maastricht treaty, believing it to be leading European Community countries in the wrong direction with potentially disastrous

consequences. We are neither Euro-sceptics nor anti-European; Euro-rationalists is a more accurate description.

Paul G Byard, 6 Lobster Bay Villas, Tai Hang Han, Clearwater Bay, Kowloon, Hong Kong



## COMPANY NEWS: UK

Strong performances by investment banking and newspapers

## Pearson advances 34% to £46m

By Paul Taylor

PEARSON, the publishing, banking and industrial group which owns the Financial Times, yesterday reported a 34 per cent increase in first-half pre-tax profits, mainly reflecting the strong performance of its investment banking and newspaper interests.

Profits increased from £34.6m to £46.3m in the period to June 30, including a £3.1m (£1.6m) surplus on the sale of fixed assets.

Sales from continuing operations rose 19 per cent to £824.4m (£694.8m) with currency movements accounting for £77m of the gain. Currency changes added £2m to pre-tax profits and had an impact on net interest costs, which rose to £8.3m (£7.3m) despite net debt falling to £170m (£185m).

Earnings per share rose by 41 per cent to 6.2p (4.4p) and the interim dividend is maintained at 5.375p.

Mr Guy Lamming, a media analyst at James Capel, said the results were "better than had been expected" and indicated that the group's recently announced plans to focus on its media and entertainment businesses were correct. Pearson's share price, which has risen sharply over the past year, gained a further 8p to close at 519p.

As part of the new strategy, Pearson plans to spin-off its Royal Doulton fine china division later this year and sell a majority stake in Camco, the US oilfield equipment and ser-



Lord Blakenham, left, and Frank Barlow: cost cutting gives substantial underlying improvement in indifferent trading

vice division, through a public offering in New York.

Commenting on the results Lord Blakenham, chairman, said they reflected "a substantial improvement in underlying performance".

"They showed the benefits of three years of cost-cutting. 'We have become more profitable in indifferent trading conditions and are making the most of the patchy recovery we have seen in some of our markets. The outlook continues promising'."

Operating profits jumped by 70 per cent to £51.5m (£30.3m) with all the main divisions, except books and fine china, achieving gains.

Investment banking interests, including the 50 per cent stake in Lazard Brothers in London, benefited from the improved market climate and more than doubled their profit contribution to £16.4m (£7m).

Newspapers operating profits rose to £22.2m (£15.1m) despite continuing flat advertising volumes. Within that, the FT

Group, including the newspaper, business information services, and Les Echos, the French business paper, contributed £18m (£13.2m) and Westminster Press £4.2m (£1.9m).

In contrast, the books division, which generally makes its profits in the second half, saw its contribution fall to £1.7m (£2.4m). Higher losses at Addison-Wesley, the US-based educational publisher, offset gains at Penguin and Longman.

Profits from entertainment increased to £2.9m (£1.6m) boosted by substantially more visitors to the attractions, particularly the Tussauds group. Mr Frank Barlow, managing director of Pearson, said visitor numbers were 13 per cent higher at 3.8m in the first half.

Mr Barlow added that a new television division would be set up for the 17.5 per cent interest in BSkyB, the satellite venture, the 14 per cent stake in Yorkshire-Tyne Tees and the recently acquired Thames Television production company. He also said Pearson was seeking to expand its television interests in Europe and Asia.

Oil services achieved a sharp improvement but that was masked by other factors. As a result operating profits were up to £7.5m (£7.4m) on turnover of £182m (£128m).

Fine china increased sales 10 per cent to £86.8m, helped by exchange rates. Profits, however, dropped to £1m (£2.2m) mainly reflecting redundancies and costs of scaling back production to reduce stocks.

Black's turnover, is the customer. M&S has increased its market share in shoes over the last five years. Black is now trying to make the same headway in continental Europe during a consumer recession, relying on a wider customer base than at home. With most of the impact of cost cutting already reflected in profits, growth this year will be more modest. Pre-tax profits are likely only to match 1990's peak of £10.3m.

Earnings of under 13p give a multiple of almost 18 which is a fair rating until bigger Continental profits are proven.

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## Prowting acquires Galliford for £22.6m

By Catherine Milton

PROWTING, the loss-making housebuilder, is buying Galliford Homes Group, a south of England housebuilder and former Sears offshoot, from its management for £22.6m.

The consideration is being satisfied by the issue of 14.4m shares and £5.3m cash. Of the shares, 9.95m have been placed and 2.65m placed subject to a 1-for-5 offer at 120p a share.

Mr Terry Roydon, managing director, said the deal would expand Prowting's equity by 23 per cent but immediately increase its output from 350 to 900 housing units. The company believed the acquisition would enhance earnings per share. He said: "We are combining a long land bank company with relatively low annual sales with a company that has high sales relative to its land bank. This will make a company with good volume and a reasonable land bank and not one which is out of proportion as ours is at the moment. Make the land bank sweat."

Galliford reported operating losses in the year to January 1993 of £430,000 (profits £924,000) before provisions on its land bank of £6.39m (£5.9m). Turnover was £48.5m (£52.2m).

In 1992-93 provisions against land holdings pushed Prowting into pre-tax losses for the second consecutive year. After a £4.93m (£22.4m) provision, pre-tax losses were £4.57m (£17.7m) for the year to February 28, on turnover down by 4 per cent from £36.4m to £35m.

Galliford was founded in 1964 and acquired by Sears in 1975. In 1990 Sears withdrew from housebuilding and the business was then run on the basis of using up its land bank.

In April this year, management, supported by funds advised by Schroder Ventures Advisers, Summit Equity Ventures and North of England Ventures, bought the business.

Galliford's development sites are all in southern England.

## First half rise by Schroders and dividend increased

By Paul Taylor

SCHRODERS, the international merchant and investment banking group, said yesterday that profits for the first half of 1993 were higher than for the same period last year.

The group which currently does not disclose detailed interim figures, said net profits for the whole of 1992 were £57m (£56.1m).

From next year the group will be required under the EC Bank Accounting Directive to change the way its accounts are presented, to disclose its inner reserves and charge loan losses in full in the year in which they are recognised.

In a brief announcement to the Stock Exchange yesterday, Schroders said it was increasing its interim dividend to 4p from 3p a year earlier.

Mr George Mallinckrodt, chairman, said that all functional and geographic areas of the group had performed well. "I was across the board. 'The first half has been kind to us because the environment has been a good one.'"

"The 'star performer' in the first half had been the global investment management business bolstered by rising markets," he added.

Schroders is believed to have between £42bn and £48bn in funds under management.

See Lex

## Kleinwort Benson sells bullion house to Deutsche Bank

By Kenneth Gooding and David Waller

DEUTSCHE BANK, Germany's biggest bank, is buying Sharps Pixley, the bullion and metals business.

Sharps can trace its origins back to the 1740s and is one of the five members of the committee which fixes the gold price daily in London.

Lord Rockley, chairman of Kleinwort Benson, the merchant banking group which owns Sharps, said the bullion house "has been a good investment over the years but today a commercial bank is a better

place for it to realise its potential". He admitted that Sharps had not been a great contributor to group profits.

The price, which would be related to Sharps' net assets plus a figure for goodwill, has still to be agreed but it would not result in any charge to Kleinwort's accounts. Sharps employees would be transferred with the business.

Deutsche said the acquisition should be seen as a strategic move designed to expand its precious metals trading activities.

The bank is active in gold and silver markets around the

world. It is one of the three largest traders of South African gold, has a 50 per cent share of the German gold trading market and is an important company in the Australian nugget market. It aims to become a marketmaker in London where at present it only trades precious metals.

Sharps is also one of the three companies operating the London Silver Fixing and became a ring dealing member of the London Metal Exchange in 1979. Through its New York operations it is a member of the New York Commodity Exchange.

## Dalgety expands via purchase of two Unigate subsidiaries

By David Blackwell

DALGETY, the food and agriculture group, is buying two businesses from Unigate, the food and distribution group which is still in the process of reshaping its activities.

Dalgety is paying £15.7m cash for Oldacre, which has eight animal feed mills, mainly in southern England. The business has assets of £10m and made operating profits of £2m on sales of £78.5m in the year to March 1993.

In addition, Dalgety is paying £9m for Morton Foods, which supplies batter and

crumb coatings to the food industry. It has net assets of £4m and last year made an operating profit of £330,000 on sales of £7m.

Mr Richard Clothier, Dalgety chief executive, said yesterday that Oldacre would lift Dalgety from 17 per cent to 21 per cent of the 10m-tonne UK animal feed market, bringing it level with Harrison & Crosfield's BOCM Foods, the market leader.

Morton, which has a modern crumb plant in Oxfordshire, would bring high-value capacity to Dalgety's existing range of food coatings, he said.

Mr John Worby, Unigate finance director, said the disposal of the two companies fitted in with the group's plan to concentrate its business on the core food and distribution areas.

Morton had been acquired in April along with Clifford Foods, a dairy and juice company, and was being sold because Unigate had no other ingredient businesses.

The sale of the two businesses, along with other recent disposals and acquisitions, would leave Unigate with a portfolio gearing in the low to mid-30s, he said.

## Peter Black steps out with rise to £9m

By Catherine Milton

PETER BLACK, the shoes and cosmetics company, has recommended a 26 per cent rise in its dividend on the back of a 40 per cent surge in pre-tax profits for the year to June 5.

Turnover rose to £114.9m (£106.2m) and operating margins to 8.4 per cent (7.7 per cent). The pre-tax profit was £9.08m (£6.47m).

According to Mr Stephen Lister, finance director, the results reflected a strong second half as well as the benefits

of recent closures and cost-cutting. "We've always said the earnings would come through when that was completed."

Mr Gordon Black, joint chairman, said the group was now favourably positioned, with growth in overall demand for products and in main customers' share of the market."

Cosmetics contributed £40.9m (£38.2m) to sales and £4.4m (£3.2m) to pre-tax profits; footwear and accessories turned over £60.6m (£55.9m) and made £3.7m (£2.5m).

The small, cash generative distribution and leisure busi-

nesses contributed £13.4m (£12.1m) to turnover and £1m (£0.0m) to profits.

Borrowings fell to £1m (£5.5m) giving gearing of 2 per cent (15 per cent). Interest costs fell to £614,000 (£1.73m).

A final dividend of 2.77p makes a 3.7p (2.94p) total. Earnings rose to 11.18p (7.92p) per share.

## COMMENT

Gordon Black thinks his shoes and cosmetics are recession-proof. Certainly, that is the case when Marks and Spencer, which buys 85 per cent of

## Banks cash in on their WPP conversion shares

By Andrew Bolger

BANKS immediately sold most of the ordinary shares in WPP Group they received yesterday by converting preference shares in the market services company.

SG Warburg, the stockbroker, bought 46.9m shares at 99p and placed them at 94p with 60 institutions in the UK, US and Europe. WPP's shares closed 7p higher at 102p.

WPP said later it had obtained a listing for 57.76m new ordinary shares in the

company to satisfy conversion rights. The shares placed yesterday represent 8 per cent of the group's diluted share capital.

This was the first opportunity for banks who supported WPP's debt-for-equity swap last year to book a profit on some of their preference shares.

Shares in WPP have more than doubled this year as hopes of recovery have improved. However, the group last month remained cautious about an upturn in its markets.

## China and Eastern leaps

By Simon Davies in Hong Kong

CHINA and Eastern Fund, the first closed-end fund to focus on China, reported a rise in net assets from \$482,834 to \$1.35m (\$800,000) for the year to July.

Net assets rose 8 per cent to \$53.8m, representing \$2.64 (\$2.43) per share.

The fund was launched on the Stock Exchange in 1985 to invest in listed and unlisted investments which would benefit from the opening up of the Chinese economy.

The company had a mixed performance from its direct investments, and as a result of the development of China's own stock markets and the growth in listed Chinese companies in Hong Kong, it is now focusing on listed companies.

During the past financial year, its investment

valuations were hit by falling B share prices on the Shanghai and Shenzhen stock markets, set against strong performance from Hong Kong-listed China stocks.

Lord Marsh, chairman, said he was confident of an increasing interest in Chinese investment. "If you take a long-term view, the likelihood is that China will become a major player in Asia and it understands the need to adapt its business practices to an internationally-recognised capitalist system," he said.

China and Eastern has also broadened its focus to include other Asian-listed companies with substantial business in China and has investments in the Korean, Malaysian and Singaporean stock markets.

The recommended final dividend goes up to 6 cents (2 cents).

## Float boost for Pittencrieff

By David Blackwell

THE FLOTATION in the US of a large part of its mobile communications subsidiary boosted first-half pre-tax profits at Pittencrieff, the natural resources and communications company, from £2.2m to £15.2m.

The flotation of Pittencrieff Communications, in which the parent retains 54 per cent, raised \$68m (£45m) net of expenses. After taking a loss on the sale of its oil field service businesses, Pittencrieff booked a net gain on disposals of £12.9m. Excluding that, pre-tax profits for the half year to June 30 were ahead 26 per cent at £2.3m (£1.8m).

Including disposals, earnings per share advanced from 9.4p to 53.04p. Excluding such items earnings fell from 7.35p to 5.83p because of

an increase in the number of shares in issue and an anticipated higher tax charge. The interim dividend is raised from 3p to 3.25p.

The group now has cash deposits net of borrowings of £30m, compared with net borrowing at the end of last year of £5m.

Mr Terry Heneghan, chief executive, said the company was now in a transition period and was cash rich.

Mr Michael Munro, chairman, said the group balance sheet had been "immensely strengthened" by the flotation.

In May the group succeeded in a hostile bid for Aberdeen Petroleum for \$9.2m. This boosted its proved oil and gas reserves by 6.5m barrels of oil equivalent - or about 90 per cent.

Turnover doubled to £14m, including £1.3m from discontinued operations.

## Isotron rise puts 20p on share price

Euromoney will lift its stake in MIS to 50 per cent in three stages based on profits for three years ending 1998. The remaining 50 per cent is subject to a put and call option at a value based on profits for the next three years.

The directors estimate that, based on the expected results of MIS, total future consideration will be some \$4m. In 1992 it made a pre-tax profit of \$195,000 and had net assets of \$619,000.

On turnover ahead 12 per cent at £7.1m (£6.51m), profits were up from £2.74m to £3.11m. Earnings per share were 17.5p (14.8p) and a final dividend of 2.83p is proposed for an increased total of 4.34p (3.94p).

The cash balance increased over the year to \$4.5m despite paying for substantial cobalt purchases in the second half and the capital cost of a new gas sterilisation plant in the Irish Republic.

On prospects Mr Colin Clive, chairman, said that interest income would be lower because of capital spending in Ireland. However, the year had started well and with the UK economy showing signs of improvement he said operating profits should continue to progress.

The deteriorating economic climate there and the real threat of accelerated pit closures had made it necessary to concentrate financial resources in stable or expanding markets.

New man at the top for Babcock

The new chief executive of Babcock International, the engineering group, is to be Mr John Parker, who resigned this week as chairman and chief executive of Harland & Wolff, the Belfast shipbuilder.

He will take the job vacated by Mr Oliver Whitehead, who left Babcock in April after disagreeing with the board over strategy.

Babcock declined to confirm the appointment yesterday but is expected to make an announcement soon which will

## Burford advances 40% to £1.93m

Burford Holdings, the property investor and trader, returned pre-tax profits of £1.93m for the six months to end-June, a near-40 per cent improvement over last year's £1.38m.

Turnover of £5.1m compared with £4.6m. Earnings emerged at 1.27p (0.88p) and the interim dividend is lifted to 0.88p (0.5p).

Mr Nigel Wray, chairman, said the figures did not incorporate any contribution from the £68m property portfolio acquired from Provident Mutual or from the recent £41.3m rights issue launched to help fund the purchase. He said the benefits of these transactions would be seen in the second half.

It was anticipated that by the year end the rent roll should be annualising at about £17m.

GrandMet offshoot in Mexican purchase

Pillsbury, the US food subsidiary of Grand Metropolitan, is to acquire a 49 per cent stake in Pacific Star de Occidente, a leading distributor of frozen and refrigerated products in Mexico, for an undisclosed sum.

The partnership aims to create the largest and most modern operation of its type in the country, serving more than 1,400 supermarkets in its first year of operation.

Thomas Cook buys out joint venture

Thomas Cook, the UK's third largest travel agency, has paid

## Reuters to take extra shares

Reuters Holdings, the international news and information group, is intending to buy a further 9.46 per cent of the shares offered above the 5.84 per cent it originally sought under its £350m share buy-back offer.

Anyone tendering up to 5.84 per cent of their holding will have them accepted in full. Of any excess 9.46 per cent will be accepted.

An error by one investor accepting for 11m shares rather than the intended 1m lay behind a revision in the acceptance figures for the offer.

The group yesterday said that acceptances had been received for shares representing 36.19 per cent of its equity against the 35.65 per cent previously announced.

The offer is being made as a way of returning its cash mountain - £710m at the end of 1992 - to shareholders.

Latin American net assets improve

Net asset value per share of the Latin American Investment Trust stood at 289 cents at June 30. That compared with 185 cents 12 months earlier and with 183 cents at the end of 1992.

For the six months to end-

June the trust swung from an attributable deficit of \$399,000 to revenue of \$904,000 (£532,000). Earnings per share emerged at 1.07 cents (losses 0.53 cents).

Thomas Cook, now owned by Westdeutsche Landesbank and LUT, the German travel group, said the deal would give it greater flexibility within the Asia-Pacific region.

Sleepy Kids signs Budgie agreements

Sleepy Kids, the children's animation and merchandising group traded on the USM, has signed four licensing agreements in the US for Budgie The Little Helicopter merchandise.

The licenses, the company's first in the US, are with Franco Manufacturing for a line of beach and bath towels, with Selandia Designs for children's melamine dishes, with Nylint Corporation for plastic vehicle toys, and with Happiness Express for small toys and room accessories.

Molynx returns to black with £21,000

Molynx Holdings returned to profit in the first half of 1993 but the result continued to be disappointing, according to Mr Eric Walters, chairman.

Pre-tax profit came to £21,000. Although less than half of the comparative £45,000, it compared with a loss of £331,000 in the second half of 1992.

Mr Walters said the closed circuit television and security division performed significantly better than in 1992. However, the recovery had so far eluded the markets in which the building energy management division operated.

CCTV sales rose to £6.18m (£4.9m) and trading profit to £898,000 (£321,000). There was recovery in the UK and strong growth in Norway, but recession in other European mar-

kets dampened the outcome.

At BEMS, turnover increased to £6.9m (£6.2m) but the loss jumped to £438,000 (£24,000). In the UK sales moved up 23 per cent with Synchronised Systems, having the benefit of the good order book from three contracts started in 1992.

Mr Walters said "unacceptably high" operating losses continued in Germany and the US. Sales in Germany slumped 82 per cent and a return to profit was not expected until 1994. It was hoped to be in the black in the US by the year end.

Earnings per share were nil (0.3p). There is no interim dividend, against 1.3p, the total for 1992.

Cray Electronics lifts stake in P-E

Cray Electronics Holdings, the data communications and software systems group which has launched a recommended all-share offer for P-E International, has purchased an 8.02 per cent stake in its target.

The group revealed in its offer document posted to shareholders that it had acquired 1.76m P-E shares. In addition it has irrevocable undertakings, involving 5.28m P-E shares, from shareholders to accept the offer which, together with share purchases, represents 24.11 per cent of the equity.

The offer document also notes that Cray's board "anticipates an improving performance from the P-E group in the future, although the acquisition is not expected to have any material effect on Cray's earnings per share in the current year."

Cray is offering one new share for every two P-E shares valuing the group at 744p per share.

## DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Current payment	Total for year	Total last year
Black (Peter)	2.77	Oct 25	2.17	3.7	2.94
China & Eastern	6c	-	1	6	2
Isotron	2.83	Nov 12	2.57	4.34	3.94
Molynx	nil	-	1.3	-	1.3
Pearson	5.375	Nov 12	5.375	-	12
Pittencrieff	3.25p	Oct 25	3	-	7
Readymix	0.55p	Oct 7	0.55	-	2.9
Schroders	4	-	3	-	11
Stewart Zigomala	9.4145	Oct 4	18.75	9.4145	18.75

Dividends shown pence per share unless otherwise stated. \*10n increased capital. \*Equivalent after scrip issue. \* US cents. \* Irish pence.

## LONDON RECENT ISSUES

Issue Price	Amount Paid	1993	1992	Stock	Current Price	1993	1992	1991	1990	1989	1988	1987	1
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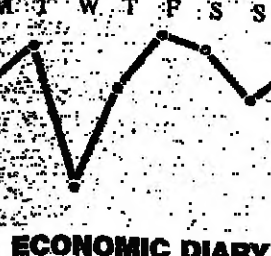


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ECONOMIC DIARY

**TODAY:** Tenth round of Sino-British talks on Hong Kong in Beijing (until September 5).

**TOMORROW:** Trade Unions Congress opens in Brighton (until Friday).

**MONDAY:** Central Statistical Office publishes figures for credit business (July). The Department of Environment gives statistics for housing starts and completions in July. Interlms from Bunzl, Fairley Group and Rugby Group.

**TUESDAY:** West German GDP (second quarter). Heads of state and government from the Commonwealth of Independent States expected to meet in Moscow to sign treaty on economic union. Indian steel industry workers to strike for a day over the privatisation of a state-owned steel plant. Swiss Bankers Association annual report. Institute for Policy Research publishes report challenging government's approach to education.

**WEDNESDAY:** US wholesale trade (July); consumer credit (July). Start of two-day Financial Times conference "World Motor" at the Hotel Inter-Continental in Frankfurt. National Rivers Authority launches annual report and accounts.

**THURSDAY:** Central Statistical Office publishes United Kingdom Balance of Payments 1992 (CSO Pink Book). Confederation of British Industry survey of distributive trades (August). US jobless claims; capital spending (second quarter). Bundesbank central council meets. International Motor Show opens in Frankfurt. Mr P.V. Narasimha Rao, Indian prime minister, visits South Korea. Results from British Gas, BTR, Royal Dutch, Shell Transport and RTZ.

**FRIDAY:** BISPA issues figures for usable steel production (August). Whole World trade figures (second quarter) from the Central Statistical Office and construction output (second quarter) from the Department of the Environment. US producer price index (August). International Boat Show '93 opens in Southampton (until September 18).

LIFFE EQUITY OPTIONS

Option	CALLS				PUTS				Option	CALLS				PUTS				Option	CALLS				PUTS									
	Oct	Jan	Mar	May	Oct	Jan	Mar	May		Oct	Jan	Mar	May	Oct	Jan	Mar	May		Oct	Jan	Mar	May										
Admiral	300	31 1/2	44 1/2	33 1/2	12	25	29		Brit Am	400	43	60	60	26	40	47	Exxon	480	200	50	-	100	30	75	110	110	110	110	110	110	110	110
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## INTERNATIONAL COMPANIES AND FINANCE

## BNP and Rhône-Poulenc line up long-term investors

By John Ridding in Paris

BANQUE Nationale de Paris and Rhône-Poulenc, the companies that will launch France's privatisation programme this autumn, are lining up long-term investors to replace the government on their share registers.

The formation of core shareholding groups is being done in conjunction with the privatisation commission, a body established by the government to value the companies and which must also approve the participation of principal shareholders.

Mr Jean-René Fourtou, chairman of Rhône-Poulenc, the chemicals concern, says he is confident of securing a group of stable investors which will take between 25 and 34 per cent of the company's shares after the state sells its 49 per cent stake.

This core shareholding, says Mr Fourtou, should include Assurances Générales de

France, the insurance group, and Crédit Lyonnais, one of France's largest banks. Both are state-controlled and already hold stakes in Rhône-Poulenc. AGF has 7.7 per cent and Crédit Lyonnais 8.6 per cent.

Other core investors could include foreign institutions and French industrial companies. But Mr Fourtou admits that most French industrial groups might find it difficult to raise the necessary capital to take a significant stake.

BNP, which will be the first company to be privatised, has given fewer indications about the size and composition it desires for a core shareholding. Its task may also be more difficult since the state holds 73 per cent of its shares, a much larger proportion than it holds in Rhône-Poulenc.

One of its principal shareholders, however, seems certain to be Union des Assurances de Paris, the state-controlled insurance

group which currently holds a 10 per cent stake in BNP.

Les Echos, the French financial daily, reported yesterday that this stake will be increased to 15 per cent at the time of privatisation. BNP declined to comment on the report. But banking analysts in Paris said that such an increase was possible given that BNP is itself due to increase its stake in UAP from 10 to 20 per cent by buying the state's 49.9 per cent stake in Financière BNP.

Another potential core shareholder in BNP is Dresdner Bank. The French and German banks have a joint agreement, which has led to an exchange of board members, and have expressed their intention to exchange shareholdings of about 10 per cent.

But official sources in Paris said that size of the cross-shareholding had not been finalised and that Dresdner may wait until after privatisation before taking a stake in BNP.

## Yamaichi Securities to compensate its clients

By Emilio Teraszono in Tokyo

YAMAICHI Securities, one of Japan's Big Four stockbrokers, is to reimburse investors who blamed improper sales techniques by the broker for losses on investments in mortgage-linked funds.

Yamaichi will repay up to ¥10bn (\$94.33m) to clients, who claim to have not received information on the risks concerning the investment product.

Mr Ryuji Shirai, senior managing director, said there was a "high possibility" that sales staff had breached industry regulations, which require brokers to warn investors of risks involved in investment products.

Nomura Securities last year paid out over ¥30bn compensation to investors who made similar claims over foreign property-backed securities.

Yamaichi sold ¥290bn worth of "Mortgage Jumbo" investment trust funds in 1991, of which ¥170bn fell short of their principal value.

Japan's ailing securities industry was hit with further problems yesterday as the Securities and Exchange Surveillance Commission, the securities watchdog, recommended that the government punish Yamaichi Securities, Kyosai Securities, and Universal Securities, for manipulating the stock price of Nikko Unisys in 1990 and 1991.

Meanwhile, the Japan Securities Dealers' Association ordered Yamaichi Securities to pay a ¥40m penalty for *tobashi* deals, or manipulation of investors' accounts to hide unrealised losses.

Cosmo has been bailed out by Daiwa Bank due to extraordinary losses of ¥69.8bn from the *tobashi* deals.

The association also fined Daiwa Securities ¥25bn for a fraud scandal involving a former manager of a branch in suburban Tokyo.

● The Japanese finance ministry has given the go-ahead to subsidiaries owned 100 per cent by Japan's Big Four brokerages and Bank of Tokyo to start ordinary banking and trust business next month.

They are: Nomura Trust and Banking, a subsidiary of Nomura Securities; Daiwa International Trust Bank, a subsidiary of Daiwa Securities; Nikko Trust and Banking Corp and Yamaichi Trust and Bank Ltd, subsidiaries of Nikko Securities and Yamaichi Securities respectively; and Tokyo Trust Bank, a Bank of Tokyo subsidiary.

## Attitude the key to colony's destiny

Simon Davies on how Hong Kong's taipans are preparing for 1997

IT is still four years to go before Hong Kong leaves the British Empire, but the colony's influential British-style trading companies – or "hongs" – have already carved out their destiny under the future sovereign, China.

Of the four major hongs – Hutchison Whampoa, Jardine Matheson, Swire Pacific and Wharf/Whelock – only the Princely house of Jardine has failed to draw up favourable alliances with the future sovereign power.

For the hongs, which thrive on government land grants and infrastructure franchises, politics is of key importance and the potential implications of the China relationship can be seen already.

Wharf's Cable Television franchise gained rapid Chinese approval, while opposition continues against a new Container Terminal "franchise", to be part owned by Jardine the Hong Kong government had awarded the contract, claiming that no approval was needed.

The British corporate grip on Hong Kong has been declining for some time. The so-called "colonial amateurs", who ran many of the old hongs, could not survive the more competitive and volatile atmosphere of the 1970s and 1980s; their businesses were bought up by the newly-rich Chinese property and shipping magnates.

Mr Li Ka-shing purchased the restructured Hutchison Group in 1979, the year in which the late Sir Y.K. Pao bought into the Wharf group, which he later expanded through the acquisition of Wheelock Marden in 1985.

The changes have accelerated since Deng Xiaoping visited southern China in 1991, sparking off a surge in investment across the border.

This partly reflected the economic domination of the colony by China, and the need to expand beyond the limited confines of Hong Kong. But it also reveals an attitude that to continue to play a significant role in Hong Kong, companies must show commitment to China.

The expatriate is at a definite disadvantage in developing either political or business links.

Last Tuesday, Mr Simon Murray, one of the last of Hong Kong's taipans – the traditional British managing directors of the trading companies – was replaced by a Hong Kong Chinese co-director, Canning Fok, symbolising the end of expatriate influence for another of the colony's major conglomerates.

Mr Murray, was instrumental in Hutchison's expansion outside Asia, but he admitted he would have had a lesser role to play in the group's investment push into China.



Sir Adrian Swire (left), a regular visitor to Beijing and a committed Hong Kong investor, and Li Ka-shing, who is at the forefront of negotiations by Hutchison, of which he is chairman

Hutchison has already started to develop container terminals, power stations, property projects and a retail network and it has been the chairman Li Ka-shing who is at the forefront of negotiations.

Wharf's chairman Peter Woo, has also made great strides in building on the Beijing contacts of his influential late father-in-law Sir Y.K. Pao. He signed up agreements for Wharf to transform the city of Wuhan into a major containerisation centre for central China, with infra-structural links to Hong Kong's container port.

In recognition of their efforts, Peter Woo was appointed an adviser on Hong Kong affairs to China, while Mr Li is a member of the Preliminary Working Committee, China's new body on Hong Kong affairs.

If anything, this has increased their influence in Hong Kong, where Mr Woo and

the eldest son of Mr Li are also on the 18-member business panel selected by Governor Christopher Patten.

For the British-owned houses, with their cultural and linguistic differences, the barriers are great, but they have tackled the potential problem in a totally different manner.

Sir Adrian Swire – whose family controls 27 per cent of Hong Kong-based Swire Pacific – has for years been a regular visitor to Beijing, and the company is regarded in China as being a committed long-term investor in Hong Kong.

In 1987, it cemented this relationship by selling a 12.5 per cent stake in its airline Cathay Pacific to the mainland-controlled Citic group. Subsequently, China Travel Service and China National Aviation Corporation have both been brought in as 5 per cent shareholders, leaving the airline with three extremely influential backers.

The symbolic removal of the Union Jack from the tailplane of Cathay's fleet has already begun, and the China links were further cemented last year, when Swire jointly purchased a HK\$2.65bn (US\$36.8m) property site with Citic Pacific.

The extent of the contrast with the experience of Jardine, controlled by the Kewick family, was shown last year, when a Chinese official launched a trade against its opium trading past. Jardine's difficulties stem from China's sensitivity to the concepts of sincerity and trust.

During the 1980s, Jardine shared wide-spread concerns over the possibility of post-1997 political change in Hong Kong. But it was alone in stridently voicing those concerns through its move of domicile to Bermuda and its push for a primary listing in London. In international terms, this could be deemed prudent; but in China, it could prove unforgivable.

Jardine director Sir Charles Powell has been on diplomatic missions to Beijing to improve relationships, but as a former political adviser to Mrs Margaret Thatcher, this has done little to erase the view that Jardine is a British, rather than Hong Kong, company.

However, Hong Kong has always had a preponderance of cozy business cartels, which contrast starkly with its laissez-faire reputation; and it appears the primary requirement for membership of any post-1997 "club" will be Chinese attitude. If not Chinese race. The realignment of the loyalties suggests that membership will definitely have its privileges.

## Japanese stores dip sharply

By Emilio Teraszono in Tokyo

JAPAN'S prolonged slump in consumer spending has hit Marui and Tokai Department Stores, two leading department stores, which reported sharp falls in mid-term sales and profits yesterday.

Marui, a retailer popular among younger customers, posted a 29.9 per cent fall in non-consolidated pre-tax profits for the six months to July to ¥15.4bn (\$145.28m) on a 7.2 per cent fall in sales to ¥349.1bn.

After-tax profits declined 29.5 per cent to ¥8.4bn.

Tokai Department Store saw non-consolidated half-year pre-tax profits plunge 44.9 per cent to ¥2.1bn on a 10.9 per cent fall in sales to ¥170.8bn and a 38.5 per cent fall in after-tax profits to ¥1bn.

Department stores have been hit hard by the current economic slump as Japanese consumers have tightened their belts and have turned to discount retailers and cheaper specialty stores.

The bad summer weather

has also affected sales of clothing and electric appliances, adding to the profit decline. Last week, Mitsuokoshi warned it would post a pre-tax loss for the current business year.

For the full year to next January, Marui projects a 14.3 per cent fall in pre-tax profits to ¥30bn on a 3.5 per cent decline in sales to ¥280bn.

Tokai Department Store expects a 40.3 per cent fall in pre-tax profits to ¥4bn on a 8.1 per cent decline in sales to ¥349bn.

## Income jumps by 52.3% at Espiritu Santo

By Peter Wise in Lisbon

ESPIRITO Santo Financial Holding, one of the largest financial groups in Portugal, yesterday reported a 52.3 per cent rise in first-half consolidated income to \$19.5m.

The group said the increase was due to a higher percentage of ownership in Banco Espiritu Santo, higher non-interest income from banking and related activities, improved insurance results, as well as the effects of a strict cost control programme.

At the same time, growth of net income was adversely affected by the strength of the US dollar against European currencies.

## Fierce competition hits Thai cement producer

By Victor Mallet in Bangkok

SIAM Cement (SCC), Thailand's largest cement producer, blames fierce competition and aggressive depreciation of its new plant for a 41 per cent fall in first-half net profits.

Group net profit tumbled to Bt1.55bn (\$81.8m) in the six months from Bt3.82bn in the same period last year.

Sales rose to Bt20.8bn from Bt17.03bn.

Analysts said the profits had been hit by foreign exchange losses, the cost of increased dealer discounts and promotions and rapid depreciation of new plant, including an estimated Bt500m charge for the

new Khao Wong cement plant. SCC said consolidated results were affected by the cost of establishing new companies in the group such as Siam Guardian Glass and Tileco.

However, second-quarter consolidated earnings rose 23 per cent to Bt856m over the first quarter, while unconsolidated earnings rose 55 per cent to Bt926m over the quarter, suggesting some recovery from a low point earlier this year.

"I'm becoming less pessimistic than I was six months ago about the possibility of a major price war," said Mr George Morgan, country manager for HG Asia in Thailand, "and becoming more bullish on SCC as a result."

## WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1993	Low 1993
Gold per troy oz.	\$364.25	-4.75	\$341.50	\$406.75	\$328.05
Silver per troy oz.	\$299.80p	-14.7	\$188.47p	\$382.50p	\$236.00p
Aluminium 99.7% (cash)	\$1142.0	-8.5	\$1278.0	\$1340.00	\$1108.00
Copper Grade A (cash)	\$1924.5	-25.0	\$1725.1	\$2375.00	\$1708.50
Lead (cash)	\$378.0	-10.5	\$326.0	\$460.00	\$378.50
Nickel (cash)	\$4487.5	-27.5	\$7080.0	\$8340.00	\$4487.5
Zinc SHG (cash)	\$871.5	-13.0	\$1436.75	\$1112	\$868.0
Tin (cash)	\$4597.5	-85.0	\$6735.0	\$8047.5	\$4597.5
Cocoa Futures (Nov)	\$262	-5	\$251	\$281	\$263
Coffee Futures (Dec)	\$1228	-53	\$788	\$1291	\$638
Sugar (FDP Nov)	\$1102.0	-4.9	\$1112.75	\$1110.00	\$1014.5
Barley Futures (Jan)	\$105.25	-0.45	\$112.75	\$110.00	\$101.50
Wheat Futures (Jan)	\$105.25	-0.55	\$115.00	\$110.00	\$101.50
Cotton Outlook: A Index	\$55.00c	-0.95	\$75.00c	\$23.50c	\$4.00c
Wool (Wool Super)	\$3270	-3	\$3880	\$4030	\$3300
Oil (Brent Blend)	\$16.81x	-0.74	\$20.15	\$19.53	\$16.46

Per barrel unless otherwise stated. p=perpetual, c=cash, x=Oct.

## LONDON MARKETS

SPOT MARKETS

Quoted off (per barrel FOB Oct) + or -

Dubai \$14.45-4.48 -0.12

Brent Blend (dated) \$16.20-0.32 -0.21

West Texas (Oct) \$16.70-0.82 -0.19

WTI (1 per cent) \$17.70-7.81u -1.85

Oil products (FVET) prompt delivery per tonne CIF

Heavy Fuel Oil \$165-182 -1

Gas Oil \$165-182 -1

High Fuel Oil \$165-182 -1

Naphtha \$167-158

Petroleum Argus Estimates

Other + or -

Gold (per troy oz) \$364.25 -0.25

Silver (per troy oz) \$299.80 -0.50

Platinum (per troy oz) \$371.0 -0.75

Palladium (per troy oz) \$1222.0 -0.20

Copper (US Producer) \$1.50c +1.50

Lead (US Producer) \$3.50c

Tin (Kuala Lumpur market) \$214.0c -0.5

## SUGAR - LSE

(\$ per tonne)

Oct 208.00 205.50 207.00 208.00

Nov 208.00 205.50 207.00 208.00

Dec 208.00 205.50 207.00 208.00

Jan 208.00 205.50 207.00 208.00

Mar 208.00 205.50 207.00 208.00

May 208.00 205.50 207.00 208.00

Jul 208.00 205.50 207.00 208.00

Oct 208.00 205.50 207.00 208.00

White 1622 (B78) White (FVET) per tonne

Oct 1622.00 1619.00 1622.00 1625.00

Nov 1622.00 1619.00 1622.00 1625.00

Dec 1622.00 1619.00 1622.00 1625.00

Jan 1622.00 1619.00 1622.00 1625.00

Mar 1622.00 1619.00 1622.00 1625.00

May 1622.00 1619.00 1622.00 1625.00

Jul 1622.00 1619.00 1622.00 1625.00

Oct 1622.00 1619.00 1622.00 1625.00

Turnover 20751 (80109)

White 1622 (B78) White (FVET) per tonne

## COCOA - LSE

(\$ per tonne)

Oct 790 791 798 798

Nov 790 791 798 798

Dec 790 791 798 798

Jan 790 791 798 798

Mar 790 791 798 798

May 790 791 798 798

Jul 790 791 798 798

Oct 790 791 798 798

Turnover 9891 (6939) lots of 10 tonnes

ICO indicator price (US cents per pound) for Sep 2

Comp. daily 70.54 (70.53) 15 day average 69.20

88.28

POTATOES - LSE

(\$/tonne)

Oct 78.7 78.8 80.0 78.5

Nov 78.7 78.8 80.0 78.5

Dec 78.7 78.8 80.0 78.5

Jan 78.7 78.8 80.0 78.5

Mar 78.7 78.8 80.0 78.5

May 78.7 78.8 80.0 78.5

Jul 78.7 78.8 80.0 78.5

Oct 78.7 78.8 80.0 78.5

Turnover 13 020 lots of 20 tonnes.

SOYABEAN - LSE

(\$/tonne)

Oct 208.00 205.50 207.00 208.00

## LONDON METAL EXCHANGES

(Prices supplied by APMEX Metal Trading)

Aluminium, 99.7% purity (5 per tonne)

Cash \$1415.25 (\$1424.50) \$1411.15 (\$1411.15)

3 months \$1415.25 (\$1424.50) \$1411.15 (\$1411.15)

Copper, Grade A (5 per tonne)

Cash \$1924.50 (\$1924.50) \$1924.50 (\$1924.50)

3 months \$1924.50 (\$1924.50) \$1924.50 (\$1924.50)

Lead (5 per tonne)

Cash \$378.50 (\$378.50) \$378.50 (\$378.50)

3 months \$378.50 (\$378.50) \$378.50 (\$378.50)

Nickel (5 per tonne)

Cash \$4487.50 (\$4487.50) \$4487.50 (\$4487.50)

3 months \$4487.50 (\$4487.50) \$4487.50 (\$4487.50)

Platinum (5 per tonne)

Cash \$371.00 (\$371.00) \$371.00 (\$371.00)

3 months \$371.00 (\$371.00) \$371.00 (\$371.00)

Silver (5 per tonne)

Cash \$299.80 (\$299.80) \$299.80 (\$299.80)

3 months \$299.80 (\$299.80) \$299.80 (\$299.80)

Gold (5 per tonne)

Cash \$364.25 (\$364.25) \$364.25 (\$364.25)

3 months \$364.25 (\$364.25) \$36



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Chicago

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar weakens on payroll

NEW questions were raised about the direction of the dollar/D-mark exchange rate yesterday after the US non-farm payroll figure for August turned out to be a great deal worse than the market had expected, writes James Blitz.

The market had been anticipating a net rise in the payroll figure by 144,000 in August, but it turned out to be a drop of 39,000 on the month. There were a few silver linings in the report, with an upward revision to the July payroll increase from 162,000 to 211,000.

But the overall impact of the data could not fail to push the dollar down, especially since they are seen as a precursor to the figures for the US economy that will come out later this month.

Having been at DM1.6518 against the German currency at the start of the day, the dollar dropped to a low of DM1.6175 and later closed at

DM1.6225. Against the yen, the dollar also weakened, closing at ¥105.00 from a previous ¥105.85.

Mr Marc Hendrick, head of international interest rate research at Swiss Bank Corporation, believes that the dollar is heading downwards.

He believes that pressure on the dollar will come from the fact that institutional investors' portfolios are heavily overweight in dollars - perhaps to the tune of 10 per cent.

Late last month, Mr Michael R. Rosenberg, Managing Director of International Fixed Income Research at Merrill Lynch, gave a presentation in London at which he claimed that global investors had a net exposure of 66.75 to the dollar on his index, up from 48.50 in November 1991. A reading of 50.00 would be neutral, and anything above that suggests an overweight position.

In Europe, the focus of attention was again on heavy sell-

ing of the Belgian franc, despite another round of sustained intervention from the central bank of Belgium.

Again, the market perceived flaws in a high interest rate policy to defend the currency, and this weakened the franc.

The Belgian currency fell from a close of BF21.49 against the D-Mark on Thursday night to as low as BF21.83 yesterday. It later closed at BF21.77. The currency slid sharply in the exchange rate mechanism grid. On Thursday evening, some 4.01 percentage points had separated it from the weakest currency, the Danish krone. Last night, that differential amounted to only 2.73 percentage points.

The French franc was one of several European currencies which weakened. It closed at FF3.525 to the D-Mark from a previous FF3.523. Sterling closed at DM2.4775 from a previous DM2.4750.

IN NEW YORK

Item	Unit	Price	Change
1000000	1000000	1.6225	+0.0007
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043

STERLING INDEX

Item	Unit	Price	Change
1000000	1000000	1.6225	+0.0007
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043

CURRENCY RATES

Item	Unit	Price	Change
1000000	1000000	1.6225	+0.0007
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043

OTHER CURRENCIES

Item	Unit	Price	Change
1000000	1000000	1.6225	+0.0007
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043

FORWARD RATES

Item	Unit	Price	Change
1000000	1000000	1.6225	+0.0007
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043

FINANCIAL FUTURES AND OPTIONS

Item	Unit	Price	Change
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1000000	1000000	1.6175	-0.0043
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MONEY MARKET FUNDS

Money Market Trust Funds

Item	Unit	Price	Change
1000000	1000000	1.6225	+0.0007
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
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Money Market Bank Accounts

Item	Unit	Price	Change
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1000000	1000000	1.6175	-0.0043
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MONEY MARKETS

Belgian futures recover

BELGIAN interest rate futures rallied sharply in yesterday's late European trading as the central bank of Belgium looked increasingly as though it was losing the battle to maintain its currency's link with the D-Mark, writes James Blitz.

In the morning, the September Belgian franc contract dropped another 10 basis points after crashing on Thursday in the wake of the rise in the country's official interest rates.

UK clearing bank base lending rate 8 per cent from January 28, 1993.

FT LONDON INTERBANK FIXING

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1000000	1000000	1.6225	+0.0007
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043
1000000	1000000	1.6175	-0.0043

MONEY RATES

NEW YORK		Treasury Bills and Bonds					
Liborline		One month	2.82	Three year	4.62		
Prime rate	6	Two month	2.90	Two year	4.38		
Prime rate	5	Three month	3.00	Seven year	4.93		
Brookly rate	5	Six month	3.19	10 year	5.34		
Fixed funds	52 1/2	One year	3.29	30 year	5.84		
Grades at intervention		Two year	3.73				
Sep 3	Overnight	Oct Month	Two Months	Three Months	Six Months	London Interbank	
Frankfurt	6.75-6.95	6.75-6.95	6.60-6.75	6.45-6.65	6.25-6.40	7.75	
Paris	7.05-7.25	7.05-7.25				7.75	
Zurich							
Frankfurt	7.25-7.45			6.85-7.05			







# Widespread falls as account closes

By Terry Byland,  
UK Stock Market Editor

THE TRADING account in the UK equity market came to a decidedly weak close last night, when the FT-SE 100 fell 15.3 points, and trading for the new account opened without much sign of buying interest.

Weakness in the US dollar depressed blue chip equities towards the close but British government bonds remained firm against a background of renewed pressure within the European exchange rate currency network and a cut in key interest rates in Spain.

The FT-SE index fell 15.3 to a final reading of 3,057.3, virtually the low of the session. The

## Account Closing Dates

First Dealings	Aug 16	Aug 20
Option Dealings	Aug 16	Aug 20
Last Dealings	Aug 16	Aug 20
Account Days	Aug 17	Aug 21
New share dealings may take place from	Aug 17	Aug 21

three-week trading account in equities, extended to cover the UK August bank holiday, has seen share prices rise very sharply on economic optimism, only to lose a significant portion of their gains over the past four trading sessions.

At last night's close, the Footsie was still 1.6 per cent up over the trading account but showing a loss of 43.3 points,

## FT-A All-Share Index

or about 1.4 per cent, over the week. The picture was much the same in the FT-SE Mid 250 Index, 10.9 off at 3,478.9 yesterday, but 0.61 per cent up over the account.

UK stocks, already discouraged by a relative absence of US buyers, have become apprehensive ahead of next week's heavy calendar of UK company results, which, traders fear, could also bring further rights issues.

Uncertainty over the trading progress among UK companies has hurt share prices this week. There was a cautious market response yesterday to the trading statement from the chairman of GEC, the blue chip electronics group.

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put forward as potential bidders included Provident Financial and Cattle Holdings.

Profit-takers moved into the drugs sector following Thursday's strong rise. Yesterday, Glaxo lost 18 to 618p, Wellcome 6 to 749p and Zeneca 4 to 766p. They had risen on the back of speculation that US healthcare reforms, due within the next two months, would not demand mandatory price controls on prescription drugs.

Sparkling results from Pearson, publisher of the Financial Times, saw the shares put on 6 to 519p.

Turnover in WPP reached 105m as the advertising group converted 51.47m preference shares into 58m ordinary shares. Company broker SG Warburg was believed to have

## Trading Volume in Major Stocks

on Thursday, when the Footsie fell by 12.5 points, retail, or genuine customer activity, reached £1.73bn, one of the highest daily figures recorded this year.

Equity strategists were taking a cautious view of prospects for next week. S.G. Warburg, still holding to its Footsie 2,900 forecast for the year-end, warned that "the risks are growing" in a market on strong share earnings ratings and Strauss Turnbull urged "a watchful eye on earnings."

The long end of the gilt-edged market closed around ¼ higher but the short dates were little changed by the August MO money supply







● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## OTHER UK UNIT TRUSTS



● ET Cityline Unit Trust Prices are available over the telephone. Call the ET Cityline Help Desk on (971) 873-4878 for more details.

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## WORLD STOCK MARKETS

## AMERICA

## Bond market finally pays off for Dow

## Wall Street

US equities resisted pressure from unexpectedly weak employment figures and turned broadly higher at mid-session because of record-breaking bond yields, writes Karen Zagor in New York.

At 12.30 pm, the Dow Jones Industrial Average was up 9.78 at 3,855.88. The more broadly based Standard & Poor's 500 was 0.75 higher at 462.05, while the Ames composite was down 0.84 at 480.44, and the Nasdaq composite off 0.31 at 748.34. Trading volume on the NYSE was extremely light, as investors drifted out of the market ahead of the Labor Day long weekend. By 12.30 pm, less than 117m shares had changed hands. Rises outnumbered declines by 928 to 818.

The economic news of the day had a dramatic impact on bond prices. The Treasury's benchmark 30-year long bond soared 1 1/4 to 10 1/4 for a record low yield of 5.93 per cent, following reports that non-farm payrolls for August had dropped by 39,000. Wall Street economists had forecast a 150,000 rise in employment for the month. The numbers added the finishing touches to the picture of a weak economy.

The tumbling bond yields helped lift equities, which turned broadly higher at mid-session after posting mild morning losses.

Advanced Micro Devices fell 1 1/4 to \$29.95 after the company said that its engineers had been influenced by Intel's 386 microcode while developing Advanced Micro's Am486SX microcode. "Evaluation of the Am486SX microcode indicates that some portion of the 386 microcode was probably incorporated," AMD said. Intel and AMD have been involved in litigation concerning AMD's right to clone Intel chips for some years. A California Supreme Court on Thursday agreed to review a ruling

granting cloning rights to AMD. Shares in Intel slipped 3/4 to \$62.75.

Drug and healthcare stocks were among the most actively traded stocks for the second day. The sector gave up some of its gains made on Thursday, which had followed reports that President Bill Clinton had forsaken his plan to impose mandatory price controls on drugs as part of his health care reform package.

Shares in Merck, which had advanced 1 1/4 to \$32.75, eased 3/4 to \$32.00. Other active included Glaxo Holdings ADRs, down 3/4 to \$18.75, and Schering-Plough, steady at \$63. The trend adding to its gains on Thursday by rising 3/4 to \$67.4. United Healthcare eased 3/4 to \$61.75, while US Healthcare fell 3/4 to \$46.75.

In Nasdaq trading, St Jude Medical lost 1 1/4 to \$30 on reports that an analyst at Oppenheimer & Company expects increased competition for its mechanical heart valves by the end of the year.

## Canada

TORONTO recovered a little from its morning lows but the TSE 300 composite index still fell 13.69 to 4,123.40 at midday. Volume was 27.7m, turnover C\$310.5m and declines led advances by 296 to 271 with 287 unchanged.

The gold and silver index showed an exaggerated version of the overall trend in early afternoon, down by around 1.9 per cent to about 9,100 by 1 pm, but still nearly 40 points above its worst of the day.

## SOUTH AFRICA

THE overnight drop in the bullion price left Johannesburg's gold index down 77, or 4.5 per cent, at 1,648. Industrials came off to quiet trade, losing \$1 at 4,599 as negative sentiment spilled over, and the overall index shed 56 at 3,955.

## Paris takes breather after scaling new heights

The recent rally in equities has been driven by hopes of lower interest rates, writes David Buchan

After scaling record heights in late August, French equities started a breather, and taking profits. Having gone over the 2,300 level earlier in the week, the CAC-40 index closed yesterday at 2,156.08, a week's fall of 1.3 per cent.

This may be just as well. If the market continued dizzily upwards, the government of Mr Edouard Balladur might over-price its forthcoming privatisation offers.

One of these is Rhône-Poulenc, whose president, Mr Jean-René Fourtou, said last week that, given the economy's bad state, he could not understand what was driving the market so high.

Certainly, the boom has been particularly spectacular since the end of July. On the last day of that month, when the monetary crisis coincided with settlement deadlines, a record FF120bn (\$36bn) worth of shares was traded in just one session.

The previous record had been FF80bn on March 26, just before Mr Balladur's conservative swept into government.

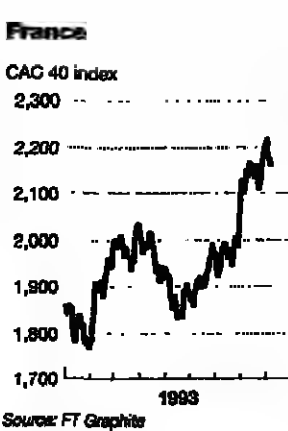
During August, some

FF90bn worth of shares were traded, or three times the level a year earlier. The CAC-40 index put on nearly 5 per cent in the last week of August.

To the professed puzzlement of Mr Fourtou, the bourse seems to be reading any worsening of the macro-economic news as simply accelerating a reduction in interest rates. But the surge on the market has also been part of a general boom on European exchanges, reflecting expectations that the continental recession is now bottoming out and that, with the corset of the European exchange rate system at last loosened, interest rates in Germany's partner countries can be sharply reduced.

"The French authorities now have flexibility in their monetary policy," says Mr Piers Butler of Baring Securities in Paris. "They have not used it yet. But it is only a matter of time before prevailing economic conditions, unemployment which is still rising and consumption which is still stagnating obliges them to do so."

Only a month after it emptied its reserves in a vain



Source: FT Graphix

attempt to maintain the franc's parity within an unchanged exchange rate mechanism, the Bank of France is still trying to restock its coffers with D-marks at a reasonably strong exchange rate in terms of francs.

But one minister particularly close to Mr Balladur says that the government's new watchword in monetary policy is "pragmatism", and hints that once the central bank has replenished its reserves, it may well start slicing official interest rates. One institution, the

Caisse d'Épargne in the Paris region, has already gambled on this by slashing three percentage points off consumer credit charges to its clients last week.

Interest rate cuts would not only help equities directly by boosting the share-issuing companies, but also indirectly by reducing the attractiveness of competing investments, such as Sicav money market funds and bonds.

The Balladur bond issue brought in FF110bn to help finance public works and housing and to give the government bridging finance before it gets the receipts from its privatisation programme.

Not only did "Balladur" subscribers finance their investment by moving as much as FF90bn out of Sicav funds, but much of the bond issue may end up in equities because of the special provisions encouraging holders to convert bonds into shares of privatised companies.

Some FF1,000bn still remains in Sicav money funds. If only 10 per cent of this were to move into equities, it would have a "very considerable effect" on the relatively small

proportion of shares regularly traded, says Mr Marc Leneux, head of research at Baccot Alain Warburg.

The summer boom pushed the bourse's market capitalisation to FF2,355bn by the end of August, according to Mr Hervé de Laire of the Société des Bourses Françaises (SBF) which runs the Paris market. But Mr Leneux reckons that only about half of these shares, just over FF1,000bn, "float freely", with the rest held long-term.

The Paris market has also drawn fresh interest from abroad, particularly the US, in spite of the fact that foreigners already own a third of all French shares. "The British moved in heavily a year ago," says Mr Butler, "but we have recently seen more money arrive from the US where a number of institutions are underweight in foreign, especially European equities."

There is thus plenty of liquidity at the moment. With the government aiming to get around FF400bn for the sale of its stakes in Banque Nationale

de Paris (BNP) and of Rhône-Poulenc, "privatisation will only soak up a part of this liquidity this autumn", says Mr Leneux.

Whether the market will be able eventually to absorb smoothly all 21 companies on the privatisation list, worth a possible FF300bn, is another matter.

But if privatisation is an overall success, it would add 13 per cent to bourse capitalisation, says Mr de Laire, compared to the 5.3 per cent increase created by the conservatives' last privatisation programme in 1986-7.

It should also swell the number of individual domestic investors, which fell from 6m to 4.5m in the last year as people took advantage of high interest rates attached to Sicavs.

The government has stepped in to help and has exempted investors from the bourse tax on transactions of less than FF50,000 and put a maximum ceiling of FF4,000 on this tax. "It is another blow to the tax, which we hope one day will die altogether," says Mr de Laire.

## EUROPE

## Devaluation talk lifts Brussels out of the doldrums

THE phenomenon of the day was the leap in Belgian equities, after a 40-week and a poor late August, writes Chris Markes in Brussels.

BRUSSELS took hold of the view that a devaluation of the Belgian franc was imminent, and the Bel-30 index rose 35.14 to 1,350.84, a rise both on the day and the week of 2.6 per cent. Turnover was heavy at Bfr3.3bn.

Mr Sebastian Scottney, Belgian specialist at Dillon Read, said that with the sharp rise in domestic interest rates in recent days and a fundamentally weak currency, it was a question of how long the authorities could continue to hold out against the pressure for devaluation.

Other factors contributing to the gains, Mr Scottney added, on what was also the start of

## FT-SE Actuaries Share Indices

September 3

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## LONDON SHARE SERVICE

## AMERICANS

Company	Price	Change	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	9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**LONDON SHARE SERVICE**

Reviews • *Contest*

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Company says 10% cut 'served its purpose'

## Thomas Cook to end holiday discounts war

 By Michael Skapinker,  
 Leisure Industries Correspondent

THOMAS COOK, the travel agents chain that last month threatened a price war, is today to declare a truce by ending its 10 per cent discount on all holidays.

Thomas Cook said yesterday that although it would still offer some discounts, the 10 per cent cut on all holidays had served its purpose. The chain said its bookings for summer 1994 were 700 per cent up on last year, although it would not provide any figures.

Thomas Cook's 10 per cent discounts were followed by similar offers from rival chains Lunn Poly and Pickfords Travel. Lunn Poly said yesterday that its 10 per cent offer was due to continue for another week, after which it would be reviewed.

Mr Hugh Collinson, managing director of Airtours, which owns Pickfords, would not say whether the chain would continue to offer 10 per cent cuts, but added: "We

were not the ones who started this."

The travel agents' cuts have been accompanied by keen price competition among tour operators, who have also tempted holidaymakers with offers of free places for children.

Thomas, the largest tour operator, said it had already sold 400,000 holidays for summer 1994. Last year, the company took until Christmas to sell the same number of holidays.

Thomas attributes this year's strong start only partly to lower prices, but holidays in Spain costing 10 per cent less than last year. Other factors, it said, were rising consumer confidence and the UK's poor summer, which had prompted many to book next year's holidays early.

Mr Collinson, however, said he regarded the price furries of the past month as a phoney war. He said that early bookers tended to be those with children. Couples tended to book during the Christmas and New Year period.

Although another price-cutting campaign is possible later in the year, most of the large operators believe the rush of early bookings so far will enable them to maintain prices until next summer. The large operators say they have become more skilled at matching holiday capacity with demand.

The absence of a late price war for summer 1993 holidays has meant fewer and smaller discounts for the large numbers of late bookers.

The purchase of travel agents' chains by the leading operators over the years has given the largest companies greater control of the market, allowing them to exclude smaller rivals. Thomas has owned Lunn Poly for two decades. Airtours recently acquired Pickfords and Hogg Robinson, and Thomas Cook has financial links with Owners Abroad. Small operators have complained that their brochures are increasingly excluded from retail chains' shelves.

## Professor unveils the age of designer materials

By Nuala Moran

A NEW AGE of designer materials is about to dawn. The materials behave in startling ways - one form gets thicker as it stretches; another changes to a particular shape at a given temperature.

Professor Colin Humphreys, of the Department of Materials Science at Cambridge University, unveiled the "Age of New Materials" at the British Association meeting in Keele yesterday.

He said purpose-designed materials with special properties would dominate the manufacturing industry and health care in the next century.

The plastic which thickens when pulled was developed by Mr Ken Evans, a member of the engineering department at Liverpool University. It has the same chemical composition as Teflon, better known as the non-stick coating on frying pans.

Uses for the material could range from bullet proof vests that expand to deflect incoming bullets to waterproof sealant using plastic that could be pulled into shape and expand to create a leak-free joint.

Prof Humphreys said ICI, the UK chemicals company, has expressed an interest in the material. Shape memory metals which change form at different temperatures could be applied as replacement tooth roots to expand firmly into the jaw when they react to body temperature.

More prosaic applications could include windows for greenhouses that open and close when the temperature rises or falls.

Other new materials have a range of medical applications. Artificial bone, developed by Professor Bill Bonfield, of Queen Mary and Westfield College in London, is now being tested in clinical trials to replace the cheek bones of accident victims.

If successful, artificial bone could also replace metals in hip replacements, avoiding the annual spending of up to £30m for the thousands of replacement operations carried out in the UK each year. Implants fail when the patient's bone shrinks away from the harder metal of the replacement and the joint becomes loose.

A new plastic has been designed to create artificial arteries. It is kink-resistant, micro-porous like a real artery and compatible with the human body. "A fundamental reversal in the relationship between human beings and materials is taking place," according to Prof Humphreys.

"Historically humans have adapted natural materials, for example extracting iron from iron ore," he said. "Now it is possible to start with a need and then develop a material to meet it."

## THE LEX COLUMN

### Halifax gets the habit

By severing its tie with Standard Life and stepping into the ring as a life insurer, Halifax is treading a well-worn path. The links between life companies and building societies are eroding steadily. With the outlook for the housing market dull and deposit rates low, building societies have a clear incentive to capture long-term savings for themselves. Since banks are thinking the same, though, the market is starting to look crowded.

That points to a squeeze, although which of the life insurers will suffer most remains unclear. Halifax Life will inherit 12m potential customers and a strong brand image from its parent. Natwest's new life operation has made a strong start this year for similar reasons. But while Natwest has farmed out investment management to an experienced manager, Halifax remains coy about its plans in this regard. Unless it can show a decent investment record, the benefits of low-cost distribution through its branch network will not work to the advantage of customers.

If the investment side can be cracked, Halifax and other high street purveyors of life assurance have a strong hand. Full disclosure of commissions and administrative expenses demanded by government may strengthen it further. While Standard Life will sorely miss the business sold through Halifax, it is well entrenched among independent financial advisers. It is also large enough to develop a brand image of its own. Smaller mutuals look more vulnerable. Among recent converts to bancassurance, only Abbey National has thought it worth buying a mutual as a way into the market.

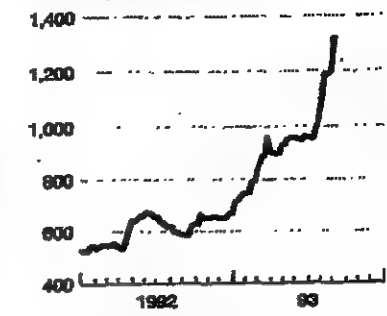
### US economy

Yesterday's news on US employment will have done little to encourage those looking for a sharp second-half rebound in the economy. The hope had been that as consumers had run down savings towards the end of 1992, the weaker growth earlier this year would prove merely a pause for breath. Domestic demand has been reasonably robust, and the disappointing overall growth figures are due in part to weaker economies elsewhere, which have resulted in higher US imports and weak exports. Yet since the US economy is on a slower upward trend than in previous recoveries, temporary setbacks can make it look wrongly as though the upturn is stalling altogether.

FT-SE Index: 3057.3 (-15.3)

### Schroders

Market capitalisation (£m)



Source: Datastream

If the Federal Reserve thus has little reason to raise interest rates, the recovery is not yet faltering badly enough to provoke a further easing. With monetary policy stable, equities are in a benign area. Earnings gains may be low but that is preferable to higher growth with resurgent inflation and the risk of Fed tightening. Raising bond markets and the flow of funds from the money markets may also drive the market higher despite the historically stretched valuations.

Whether such fortunate circumstances will persist is another question. High equity prices increase the risk of a sharp correction if growth stalls or inflation resurfaces. In that context, the upward revision of growth figures through the recession is interesting. It implies that the US output gap is not as wide as thought, and capacity constraints may emerge. Other markets have more room to expand, and more flexibility to ease monetary policy.

### News Corporation

Mr Rupert Murdoch's decision to shed his interest in the South China Morning Post looks pragmatic rather than part of a grand design. With the Post's shares trading at a record high and the handover of Hong Kong to China looming, the opportunity to take a handsome profit was too good to miss. The prospect of running a daily newspaper after 1997 is evidently not to the free-wheeling media mogul's liking. That will do nothing for frayed nerves elsewhere in the colony.

True, cutting links with the Post might also get round political objections to his involvement in TVB, the

Hong Kong television company in which News Corporation tried to buy a stake in June. But with control of satellite broadcaster Star TV secured in the meantime, terrestrial television seems of lesser importance. Although feeding TVB's library of Chinese language programmes through Star TV makes perfect sense, that might easily be achieved without an equity stake.

With so many deals struck in such a short space of time, Mr Murdoch is making up for time lost in the straight-jacket imposed by the banks. If he can resist the unnecessary deal along the way, so much the better.

### Schroders

There is a curious contrast between Schroders and HSBC, the company which it advised in its successful bid for Midland Bank last year. HSBC's interim statement on Tuesday ran to 36 pages; Schroders' yesterday delivered three sentences. No public comment should treat its shareholders with such contempt that it refuses a figure for pre-tax profits at the half-year stage. The omission is worse when the company is worth £1.3bn and on the verge of joining the FT-SE 100. Schroders' lame excuse is that it plans to change all this next year when EC rules will anyway oblige it to reveal its hidden reserves. By then, it promises to deliver profit figures with some sectoral break-down even at the interim stage. But while Footsie membership would bring no formal additional reporting requirements and the stock exchange is apparently happy with its long tradition of secretive-ness, there is no reason why the bank could not already disclose figures which it has readily to hand.

The truth is that Schroders is being dragged kicking and screaming into the modern world of shareholder communications. A position on the lower rungs of the Footsie is a dubious privilege for a company in a cyclical business like investment banking. Institutions will add to their holdings when the company enters the index, only to cut them again if markets turn and the company drops out. The implication is a volatile share price, made worse in Schroders' case by the large proportion of the company in firm family hands. But having grown so large, Schroders may simply have to accept membership of the club, and the glare of publicity which that entails. It should not be so bashful when it has little except its strength to hide.

## Swiss army mountain bike

Continued from Page 1

the Swiss defence ministry. This new version bears little resemblance to its forbear.

Even the frame has been enlarged by two centimetres to 56cm in recognition of the growth of the average Swiss soldier over the past 50 years.

"The saddle is the only thing that has not changed," Mr William Affolter, Condor's chief executive, says. It is still a sprung type, using pure Swiss cowhide. Trials showed that

sprung saddles are the most comfortable for long, rugged journeys. They also absorb perspiration better than modern models.

Everything in the bike is designed to endure heavy loads and severe weather conditions. The wheels have a ceramic coating on the rim to make braking effective in all conditions.

The freewheel and chain are chrome coated and the derailleur - "the most delicate component on the bike" - is protected by a heavy steel guard. The front gear wheel has 42 teeth, the rear ones

14, 16, 18, 21, 24, 28 and 32.

Although the bike is not light, it is 2kg lighter than the old one. Field tests showed a soldier could gain about three hours on a 200km course using the new bike.

Condor has a Sfr17m contract to produce 5,500 new bikes for the Swiss army, but it believes there is also a civilian market.

Mr Affolter says it might be useful for professionals, such as photographers or postmen, who have to carry heavy loads and need a durable bike.

## Murdoch in sale talks

Continued from Page 1

investments. It was already one of the world's most profitable newspapers, but earnings have soared since the purchase and Mr Murdoch has received around HK\$1.3bn in dividend income. He raised a further HK\$2.3bn from the company's flotation in 1990.

In recent months, Mr Murdoch has voiced his aim to expand into media in the world's largest consumer market, China.

The latest announcement therefore came as a surprise. However, it may enable him to improve his links with the mainland by cementing a business relationship with Mr Kuok, who is a substantial investor in the mainland and impeccably connected in Beijing.

SCMP shares were suspended on Friday, but will resume trading on Monday. The company advised investors to "exercise extreme caution when dealing in [SCMP] shares".

## Porter vows to fight loss of LBC radio licences

Continued from Page 1

former managing director of the BBC World Service, and bringing together many former LBC staff is backed by Guinness Mahon, the merchant bank, and Hachette, the French international media group.

Dame Shirley, former leader of the Tory-controlled Westminster Council, yesterday demanded an explanation from Lord Chalfont, Radio Authority chairman, and launched a campaign to save the station under the slogan "You Can't Gag The Voice of London".

A petition is being taken up and listeners are being invited on air to support the campaign.

LBC which runs two radio services for the UK capital - News-talk and Talkback Radio - said thousands of callers ringing in to express their anger at the decision had jammed the switchboard.

The authority appears unlikely

to reverse its decision unless LBC could demonstrate to the High Court that it had operated improperly.

At the end of Thursday's Radio Authority meeting was taken up with LBC. The key issue was programme quality and the judgment that LNR might offer something better and more clearly differentiated.

The recent financial crisis at LBC's parent, Crown Communications, was not seen as an issue following the injection of new money by Dame Shirley and her family interests.

LNR will take over from LBC in October 1994 for an eight year period with Mr Peter Thornton, a former LBC editor, as editor in chief.

Losers will have another chance next year when Capital Radio's two licences come up for renewal and two further FM frequencies for London may be offered.

### FT-WORLD WEATHER

#### Europe today

There will be a small ridge of high pressure over the UK with sunny intervals. Along the eastern side of the high pressure ridge, a strong northerly current will bring clouds, local showers and unseasonably cool temperatures to the north-western part of the Continent.

The cool air will spread as far south as central Italy and the northern Balkans. Thundery showers will develop in a wide zone along the boundary between the cool air in the north and the warm air in the south.

It will be cloudy with outbreaks of rain in Eastern Europe. Scandinavia will be mainly cloudy with patchy rain especially over central Norway and Sweden. However, it will be sunny and warm in south-western Europe.

#### Five-day forecast

High pressure will develop over the Continent, while a depression will dominate the UK from Monday. The depression will cause clouds and rain over the UK and the possibility of thunder showers over western and southern Europe. Northern and central Europe will be cloudy and cool with outbreaks rain, especially in the east. By Tuesday, temperatures will begin to rise to more reasonable values and skies will brighten.

#### TODAY'S TEMPERATURES

Location	Max	Min	Location	Max	Min	Location	Max	Min
Abu Dhabi	31	21	Cardiff	16	12	Frankfurt	16	12
Accra	31	21	Chicago	24	18	Geneva	16	12
Algiers	31	21	Cologne	16	12	Glasgow	16	12
Amsterdam	16	12	D' Salaman	30	24	Hamburg	16	12
Athens	26	20	Dakar	30	24	Helsinki	16	12
B. Aires	20	14	Dallas	33	27	Hong Kong	31	25
Bham	17	13	Delhi	33	27	Honolulu	31	25
Bangkok	33	27	Dubai	30	24	Istanbul	16	12
Barcelona	27	21	Dublin	16	12	Jakarta	31	25
Beijing	29	23	Dubrovnik	22	16	Jersey	16	12
			Edinburgh	16	12	Karachi	31	25
			Coraca	28	22	Kuala Lumpur	31	25
						Las Vegas	31	25
						Lima	24	18
						London	16	12
						Los Angeles	24	18
						Lucembourg	16	12
						Lyon	16	12
						Mexico City	24	18
						Moscow	16	12
						Mumbai	31	25
						Nairobi	31	25
						Naples	16	12
						Nassau	24	18
						Nice	24	18
						Oslo	16	12
						Paris	16	12
						Perth	16	12
						Prague	16	12
						Rangoon	31	25
						Reykjavik	16	12
						Rio	24	18
						Riyadh	31	25
						Rome	24	18
						S. Francisco	16	12
						Seoul	16	12
						Singapore	31	25
						Stockholm	16	12
						Strasbourg	16	12
						Sydney	16	12
						Taipei	31	25
						Tel Aviv	31	25
						Tokyo	16	12
						Toronto	16	12
						Turin	16	12
						Vancouver	16	12
						Venice	16	12
						Vienna	16	12
						Warsaw	16	12
						Washington	16	12
						Wellington	16	12
						Wilmington	16	12
						Yokohama	16	12
						Zurich	16	12

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# Weekend FT

SECTION II

Weekend September 4/September 5 1993

## W HATEVER else 1993 has been, in the cinema it has been the Year of Violence. It began with shock horror: *Reservoir Dogs* and *Man Bites Dog* leading a pack of films that startled audiences with new levels of brutality. It moved on to news reports of video game atrocities and sadistic computer pornography. It took in a telethon on the future of censorship. And now the British censor's annual report lies before us - large, exhaustive, and all but bleeding into the carpet.

Do we live in a new media climate? Or is it just the old one, dressed up anew? Thirty years ago, we had the Lady Chatterley trial; 10 years ago, the video nasties. Today it is the violence of the real (helped by a horror year of newspaper stories) side by side with porn from outer space.

Ever since the first fig tree was raided to cover our sense of shame, humans have rushed to protect themselves from real or imaginary moral evils. In 1912, British cinema planted its own fig tree and named it the British Board of Film Classification. Today that board no longer watches over movies alone. It sits in the heart of London - Soho Square, the un-sunny side - monitoring videos and video games and designing new fig leaves for things once unimaginable: from down-the-telephone-to-your-computer erotica to satellite delivery movies of sex or sensation.

Even sex, though, long the great *bête noire* of British fuddy-duddism, has paled this year before the blood and thunder debate. In a recent survey, the British viewing public put sex (along with nudity and blasphemy) way below violence (along with drug use and bad language) as a cause for concern. And the Red Hot Dutch satellite porn furore now seems like a side-show in that carnival of carnage many perceive as being 1993.

James Ferman is Britain's censor, and I sought him out after reading his new report. Forty pages of measured prose in the face of the immeasurable, it resembles King Canute's Report on British Tidal Erosion. But is there really more screen violence than before? Is it bad for us? If so, can it - should it - be stopped?

To the first question, Ferman says yes and no. He dismisses the handful of movies that gave us that blood-dimmed New Year: quasi-underground oddities, he says, including an Australian low-budgeter (*Romper Stomper*) and a student film from Belgium (*Man Bites Dog*). He is more concerned about rising tides of violence in two other kinds of film: those that everyone watches, mainstream Hollywood fare like *Chiffchaff* (brutal kicking scene scissored to secure a "15" certificate) or *Jurassic Park* (passed for parental guidance after much thought); and those that young offenders most seem to watch: movies where violence is ritualised.

"Kids who are violent are violent because they want power and con-

*Sex has paled into relative insignificance besides violence in the public view. Either way, the tide could be unstoppable, says Nigel Andrews*

rol, if only for that moment in which they commit their crimes, and kung fu and martial arts film are ideal for copy-cattling, for teaching a repertoire of violence," says Ferman. He tells of a convicted murderer he met at this year's televised forum on censorship who said he had seen *Enter the Dragon* 26 times.

"He'd made all the weapons, all the flairs, and he and his gang went out and practised everything Bruce Lee did." Not surprisingly, Ferman and the BBFC have set up a Home Office-sanctioned enquiry, the first such in 26 years, into the viewing habits of young offenders.

Ferman agrees there is still no decisive proof that films cause violence: "Social science is an inexact discipline and human behaviour is

too multi-factorial. It's nature, nurture; it's what happened to us this morning; it's how much we've had to drink."

He claims, however, that there is evidence that films and television shape violence. Example: the rash of incidents in which young victims were taken to hospital with damaged eardrums after children had copied the seemingly harmless "double ear-clap" shown on a television soft drink commercial (later withdrawn). Ferman himself insisted that such an ear-clap be cut when it appeared in a mainstream Hollywood film seeking a "15" certificate, Kevin Costner's *The Bodyguard*.

Decisions like that may seem the simple ones for a censor. You do not hand a lighted match to a pyromaniac; ergo, you do not wave lessons in headless violence at young children. But do all of us need to be protected? Isn't the clamour about children's vulnerability - desensitising since the video nasties furore of the early 1980s - sometimes used merely to shore up the censorship system for everyone?

Britain itself is more censorship-prone than almost any other western democracy. The BBFC's own report admits that the board is "one of the few classification bodies anywhere in the world that continues to cut violent material for adult audiences." Ferman is ready to defend this case by case.

To the objection that Japan is soft on screen violence, yet has a violent crime rate roughly one-tenth of Britain's: "Japan has a totally dif-

ferent means of control. They use shame, not criminal law. In Japan, people don't break the rules because it lets the side down." And shame, he argues, is a factor in the low rate of reported sex crime in France, renowned for its *laissez faire* attitude to screen sex and violence. "French women don't report rape because rape is a shameful thing. Women in France are sup-

posed to be able to cope with sex and be mature in handling it." The US, by contrast, could be seen as God's gift to the censorship lobbyists: they need only point at America's crime figures (astronomical) and, in the same gesture, at America's appetite for screen violence (ditto). Early this year, US film critic Michael Medved rode through London publicising his book, *Hollywood vs America*, in which film and TV are blamed for their influence on everything from drugs to delinquency, blasphemy to bad parenting.

To enter this argument is to step into the jungle of words like "deprave" and "corrupt" and "desensitise." On Medved's side, Ferman tells of a Chicago professor he met at a conference shortly after the murder in Liverpool earlier this year of three-year-old Jamie Bulger. When Ferman told him of the headline-hogging furore there had been in Britain, the American said: "You people should hold on to that reaction. It means you care. Here, there are children killed every day and it never makes the newspapers."

Urban America, we know, is a violent, desensitised place. But is it so because of too many Arnold Schwarzenegger films? And how much less violent was the US, rural or urban, in the pre-movie days of Wyatt Earp and Billy the Kid and the Indian wars?

Some US commentators believe that graphic screen violence, far from numbing or brutalising, can actually sensitise: that it sensitised the entire American nation, for example, to the Vietnam war and brought it to an end. Film-maker Wes Craven, creator of the gory *Nightmare On Elm Street* series, claims that screen violence can be a way of understanding real violence and of working it through psychologically.

"We're living in a world that's becoming increasingly visual and revelatory," he says. "From the 1960s on, through the media, I was witness to increasing amounts of explicit violence. In Vietnam, we were brought pictures of things that had happened just 10 hours before: pictures from My Lai, pictures from a napalmed village. Later, there were pictures from the car bomb in Beirut, pictures of Bobby Kennedy lying on the Ambassador Hotel floor, blood streaming from his head. We were deluged with violent reality."

"The audience for horror films and films of violence is often young and filled with all sorts of questions about what it's going to be like to be adult, to be accountable in this mad world they're exposed to. They have a need and a right to have that violence processed in a way that is formed and entertaining, and to the extent that it's fiction, is 'safe'."

But what of the potential criminal or psychotic for whom movies are not a cure but a catalyst? "There are people out there who will respond to anything. They might react to a horror film or they might

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### Long View/Barry Riley

## Strength of the bull



UK's ERM exit. In between came a sharp setback, afterwards a period of stagnation.

Now the market has entered its third and most dangerous leg as it seeks to adjust to lower interest rates and the tantalising prospect of economic recovery. The economic news is indeed promising, but share prices are no longer fundamentally cheap as they were three years ago, when the yield on the All-Share Index touched 5.85 per cent and the price-earnings ratio on industrials was 9.7. They are relatively expensive, on a yield of 3.6 per cent and a P/E of over 20 (possibly 17% on prospective 1993 earnings). They might, nevertheless, become still more expensive in the coming months.

These normal fundamentals, however, do not count for a great deal at present. True, company profits are recovering, and the half-year results season now getting under way will give a hard indication of whether the expectations of earnings growth of 15 per cent or so are realistic (so far the picture has been rather patchy). But dividends remain in the doldrums, having tumbled by 5% per cent over the past twelve months in aggregate and, historically, the descent of the yield below 4 per cent has represented a reliable sell signal, at least on a one-year view.

The reason why these numbers do not matter much, at least for the time being, is that the stock market has been riding piggy-back on an even bigger bull market in bonds. The total return on the All-Share Index after eight months of the year has been some 15 per cent, but long gilts have done much better, returning upwards of 20 per cent in combined capital gains and income as the yield has tumbled by 1% percent-

age points to about 7% per cent.

This bonds bonanza is a global phenomenon, led by the US Treasury long bond on which the yield has fallen from 7.3 to 6.1 per cent since January 1. Strangely, US equities have benefited comparatively little from this adjustment. Although the Dow Jones Average of market leaders has climbed by 10 per cent this year, on a broader basis (as measured, for instance, by the US index in the FT-Actuaries World Index series) Wall Street share prices have risen only by about 5 per cent. Instead of pushing up their domestic stocks US investors have been seeking cheaper opportunities overseas, buying \$8.4bn worth of foreign equities in the first quarter, for instance. Such statistics take a long time to emerge but the flood of dollars into European equities has certainly persisted in recent months, serving to drive UK share valuations close to those on Wall Street and generating a freak surge in share prices in declining continental economies.

When international money sloshes about like this the dangers of valuation errors can become acute. On the one hand, there is a tremendous opportunity for companies to raise new equity capital even though their circumstances may be inauspicious, as we saw with Rolls-Royce this week. On the other, the prospects for attractive future returns to shareholders are correspondingly poor.

Although valuation measures such as dividend yields and price-earnings ratios are looking stretched in the London market, investors have been able to draw comfort from the ratio of long gilt to equity yields, which at about 3.0 remains comfortably close to the middle of the normal range for the past 20 years.

Falling gilt yields have neatly offset the drop in dividends and the effect of higher share prices. The alarm bells of 1987, when pre-crash the ratio briefly topped 3, are not ringing in the same way.

But the yield ratio is an unreliable

indicator at times of economic upheaval because it depends upon particular circumstances of inflation, economic growth and payout ratios. It is at quite different levels in other countries: in Germany it has been more like 3 and in Japan usually between 5 and 10. It has also been very different in the UK in past time periods.

In the 1930s, for instance, the yield ratio was typically about 0.7, because in non-inflationary conditions, when growth expectations were low, risky equities were required to yield more than safe gilts. During the early to mid 1980s, when there was more optimism about growth, but complacency about inflation, the ratio was about 1.2.

Then, in the late 1980s, the gilt yield rose above 7% per cent and the yield ratio climbed to just over 2. That was the period of the "cult of the equity" which led to an overvaluation of equities lasting several years, in due course corrected by the disastrous mid-1970s bear market.

Now, a quarter of a century later, the gilt yield has fallen back below 7% per cent but the yield ratio shows no sign of retreating to 1.2. Once again it seems that the capital market is finding it hard to handle a major shift in inflationary expectations: global bond investors are seeing it differently from global equity investors, and one group or the other will surely be eventually forced into a sharp adjustment.

Debt deflation would normally be expected to be associated with subdued economic activity and with downwards pressure on prices (and profits). Recent capital market trends appear, however, to assume an improbably benign combination of low inflation and reasonably rapid economic growth. But I do not want to be too gloomy.

The positive way of looking at all this is to say that conditions are now favouring an unsustainably high valuation of equities, which could be further exaggerated when European short-term interest rates follow long rates down.

Investors should enjoy the party while it lasts. But finance directors may enjoy it even more.

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MARKETS

London

# When August ended, so did the market's summer holiday

By Peter Martin, Financial Editor

In the first three days of September, the stock market gave up a good proportion of the gains it had made in recent weeks. On Tuesday, the last day of the month, the FT-SE 100 index reached a new intraday peak of 3115.1. Then the retreat set in: the index closed that afternoon at 3100.0 and had dropped by Friday to 3057.3.

It was as if investors had become aware that the market's performance in the past month had led them perilously close to complacency.

There was a lot to be complacent about. During August, the total return - capital appreciation plus dividends - on the FT-SE 100 was 6% per cent. In one month, investors had earned half as much again in equities as their money would have earned in a year in an ordinary building society account.

That comparison was one of the self-reinforcing factors behind the market's rise. Individual investors started to real-

ise, says Paul Walton of James Capel, that the years of high interest rates are over, making equities much more attractive. This explained the £1bn a month inflow into unit trusts.

Such investors were not the only people to whom UK equities have looked attractive. Traders continue to report strong buying interest from abroad, particularly from the US. Indeed, the day-by-day fluctuations of demand from US investors had a marked influence this week.

On Wednesday, for example, weak transatlantic demand was one of the factors pushing share prices down. On Thursday, US purchases of shares in the big UK pharmaceutical companies, based on growing optimism that drug price controls would not be part of Hillary Clinton's health-care package, helped slow the market's slide.

Another important factor at work has been the summer's striking fall in long-term interest rates. The yield on ten year gilts dropped again this week,

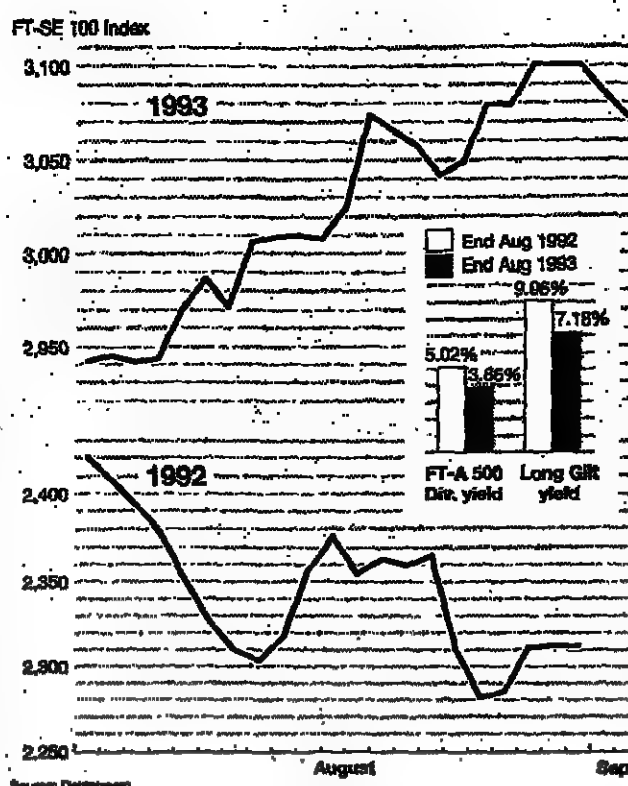
ending Friday at 6.81 per cent, down a fraction on last week and just over half a point lower than at the end of July.

Even very long-term gilts are down to exceptionally low yields: they are now just over 7 per cent, a level not seen since the Summer of Love in 1967. If the real interest rate is 3 per cent or so (the level indicated by the index-linked gilt market), investors are expecting long-run inflation of about 4 per cent.

Is that a realistic expectation? The government would say it is too pessimistic: 4 per cent is the upper end of its short-term target band for inflation, and the medium-term ceiling is 2 per cent. Once the markets come to terms with the 2 per cent figure, there is scope, on this argument, for a further 2 percentage-point fall in long-term interest rates.

If gilts continue to yield twice as much income as ordinary shares, that implies a one percentage point fall in the dividend yield on equities. Since shares are currently yielding

What a difference a year makes



3% per cent, such a move would require a further 25 per cent rise in the equity market, giving scope for the FT-SE 100 to come close to 3,900.

Not surprisingly, not even the optimists among equity strategists are mentioning such a number. After all, even 4 per cent inflation has rarely been achieved since the 1960s, and few people still active in the City can remember a sustained period when prices rose by 3 per cent price a year or less.

Still, the working of this arithmetic explains why, despite this week's setbacks, most analysts remain confident. The counter-argument, of course, is that measured in terms of earnings the stock market looks expensive. Only a handful of All-Share sectors have price/earnings ratios below 20. For smaller companies, which have been the most spectacular beneficiaries of the past year's rally, the ratio is well over 30.

Not surprisingly, these stretched earnings valuations make the market jumpy whenever it looks as though profits are not making the recovery necessary to justify such numbers. As Maggie Urry explains below, just such a crisis occurred on Wednesday, the day of a profits warning from

Tate & Lyle, a loss at Simon Engineering, and lower profits at Courtaulds Textiles. Those analysts who believe the market ran ahead of itself this summer - like S.G. Warburg's George Hodgson - are afraid that more bad news from companies reporting interim results this autumn will push share prices down further.

Particularly vulnerable, say the Warburg analysts, are sectors such as the banks, insurers, and cyclical industrial companies where underlying economic trends do not appear to justify the expectations of profits recovery currently priced into their shares.

Such unpleasantnesses aside, the next few months are likely to be dominated by the party conferences and the Budget, events which until this year have been kept apart by the *coronations* of the Christmas holidays.

Now that they come in disconcertingly close proximity, investors are likely to worry about the government's ability to contain its internal disputes, and about the way those rows will affect the difficult decisions that must be made about curbing public-sector borrowing. Kenneth Clarke is, after all, the most political chancellor of the exchequer in recent memory.

Serious Money

# Bottom fishers: avoid the dregs

By Philip Coggan, Personal Finance Editor

A LONG-standing investment theory is that it is far better to buy the worst performing fund in a sector than the best performer.

A swift look at the UK Equity Growth sector seems to bear out the hypothesis. At the start of September 1992, Guinness Flight Recovery was bottom of the 146 funds in the sector, having lost its investors an impressive 41.2 per cent over the previous year. Over the year to September 1993, the same fund was top of the sector, with a gain (offer-to-bid, with net income reinvested) of 83.25 per cent.

Looking further down the tables, we find that Exeter Capital Growth is third, having been 140th over the year to September 1992. And Brown Shipley Recovery is 4th in the sector, a heady rebound from its previous position of 139th.

Conversely, if you take the funds that were in the top 10 in September 1992, you find that two of them were among the worst 10 performers over the following year.

most liquid - and highest quality stocks (no-one will want to buy his poor-quality stocks). Thus, the manager gradually gets left with the real dregs of his portfolio.

Bottom-fishing will only work if two conditions are fulfilled: the area is sufficiently volatile, and the investor's timing is virtually perfect. The consequence is that it is a highly risky strategy.

The O'Higgins theory, which I have mentioned - before, involves an element of bottom-fishing. However, since it involves individual shares rather than collective funds, and limits itself to the blue chip end of the stock market, it avoids some of the flaws described above.

As adapted for the UK, Michael O'Higgins's theory involves finding the 10 stocks in the FT-30 with the highest yields and then picking off the five with the lowest nominal share prices. In January, I selected Blue Circle, British Gas, Fortis, Hanson and Lucas.

Since we are two-thirds through the year, and the market has been reaching all-time highs, I thought I would update readers on the progress of the theory. Blue Circle is up 34.2 per cent, British Gas has risen 18.9 per cent, Fortis is 29.8 per cent higher, Hanson has increased 8.4 per cent and Lucas is up 23.5 per cent. The average rise is thus just under 22 per cent, compared with a 11.8 per cent increase in the FT-A All-Share index over the same period. And that understates the outperformance, because the stocks provide a higher yield than average.

Of course, good contrarians will realise that, just because the theory has worked in the past, does not mean it will work in the future and the same five stocks would not necessarily be picked if the exercise was done today.

HIGHLIGHTS OF THE WEEK

	Price y/day	Change on week	1992 High	1993 Low	Company results/rights issues
FT-SE 100 Index	3057.3	-43.5	3100.8	2737.8	
FT-SE Mid 250 Index	3478.9	-34.4	3513.3	2578.3	Profit-taking
BPS funds	240	-10	256	100	Chief executive resigns
Cable & Wireless	865	+20	865	869	Moore Garrett "buy" recommendation
Chrysalis	108%	+31%	+124	61	Japanese group buys into new label
GEC	544	-15	593	284	Kleinwort Benson "take profits"
Guinness	478	-37	521	437	Fears of US drinks levy
Kingsfisher	954	-24	991	496	DIV competition intensifies
Ladbroke	209%	+5%	222%	154	Results/new chairman
Rolls-Royce	148%	-11%	164	99	Rights issues/disappointing figs
Simon King	82	-11	142	32	Poor figures
Slough Estates	227	-13	243	139%	NetWest "sell"
Sun Alliance	354	-26	399	307	Net asset value disappoints
Vodafone	514	-85	585	397	Calnet tariff cuts/competition
Zeneca	756	+42	785	593	US health reform speculation

Wall Street

# Medicine starts working for drug houses

US drug stocks managed a half-hearted cheer on Thursday as news that President Clinton wasn't about to impose price controls as part of his planned health care reforms. After the battering they have taken over the past 18 months, though, few expect US pharmaceutical and other health-care stocks to rebound further soon.

Thursday's advance came as welcome relief after the unrelenting gloom of recent months: the healthcare component of the S&P Composite index has halved in value relative to the index as a whole since the beginning of 1992. News that the reform plan, details of which are due to be unveiled in less than three weeks, would not peg prices in the industry helped to nudge the leading drugs stocks up by as much as 5 per cent. Merck, the largest, gained 9.1% to \$33%, while the share prices of Pfizer and Schering-Plough each rose by more than 3 per cent. Most drugs stocks held on to their gains yesterday, though Merck lost 4% in early trading.

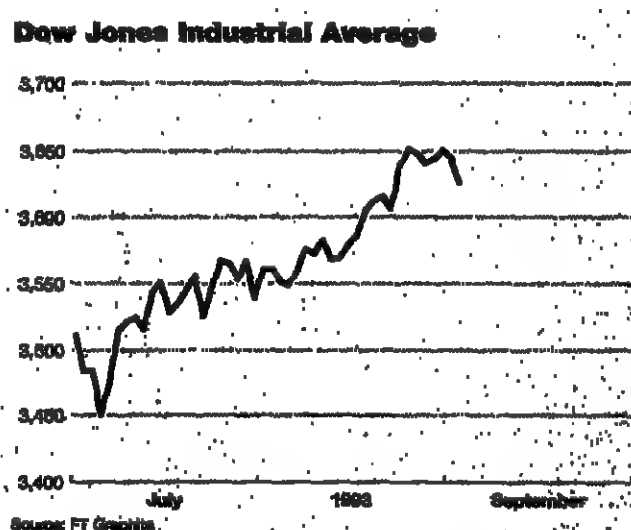
However, drugs companies' earnings are not likely to see any early benefit from the stance in Washington. While political control of drug prices has been only a theoretical threat, the companies have faced far more immediate commercial pressures to hold down prices. Christine Heuer, an analyst at Smith Barney Shearson, says: "The problem is not Clinton, Washington or politics at all. The problem is the market."

Most leading groups have announced voluntary price restraints in recent months, in part as a public relations exercise to head off the threat of Washington-imposed regulation of prices. But such moves have also been a tacit admission that the biggest buyers of drugs - particularly those who buy through health management organisations to gain the clout that comes with bulk purchasing - are demanding cuts in their health care bills. A combination of political and commercial pressures could yet force drugs prices lower.

The threat comes from the growth of discounting. Around a third of all drug sales in the US are estimated to be made at

a discount to bulk buyers, with discounts regularly reaching 25 per cent and in some cases climbing as high as 40 per cent. Washington's plans could eventually force drugs companies to extend these discounts to all buyers. Health alliances, the name given to the big cooperatives the Clinton administration plans to assemble to wrestle lower prices from providers, will add to the pressures on prices.

Politicians are already asking: if discounts of up to 40 per cent are available to some buyers, why shouldn't they be available to all? Significantly, Washington made clear that it would keep an eye out for what it termed "profiteering" in the health care industry. A politician's definition of profiteering is usually very



different from a businessman's or a shareholder's, particularly if the industry concerned has few political friends to spring to its defence.

Drug companies are also bracing themselves for a price war in the wake of Merck's \$6bn takeover of Medco Containment Services, the US's biggest mail-order distributor of drugs, announced in July but yet to be completed. Merck has made it clear that it will use the distributor to gain a greater share of prescription drug sales, a process that will involve undercutting competitors' prices.

Against this uncertain background, at least two other troubling factors have hung over drug stocks. One is the slashing of tax breaks for manufacturing operations based in Puerto Rico, confirmed in the Clinton budget package. The move prompted Smith Barney to cut its estimates of net earnings in 1994 by 5 per cent, along with other analysts.

A second factor that overhangs share prices is the expiry in the near future of a raft of US patents on

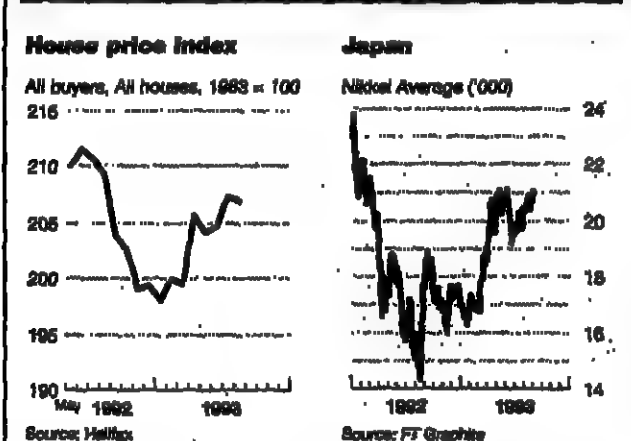
prescription drugs. Tagamet, an ulcer drug produced by SmithKline Beecham, loses patent protection next May, while Glaxo's Zantac, the market leader, is currently embroiled in a legal action over whether its patent should expire in 1995 or not until 2002.

The effects of expiring patents are not easy to predict, says Viren Mehta, of Mehta & Lelay in New York. Patent expiry on Tagamet, whose US sales have already flagged in competition with Zantac, could hit Glaxo's sales in the US far harder, since it has more to lose. Also, the question of whether prescription drugs are able to make a transition to over-the-counter treatments - a move planned for Naprosyn, an arthritis drug produced by Syntex, whose patent runs out this year - will have a big influence on future income.

Richard Waters

Monday	3643.99	+ 3.36
Tuesday	3651.25	+ 7.26
Wednesday	3645.10	- 6.15
Thursday	3626.10	- 19

AT A GLANCE



# Halifax notes slight rise in house prices last month

House prices last month rose by 0.8 per cent according to seasonally-adjusted figures released by Halifax, the largest lender. Nationwide building society, which does not make seasonal adjustments to its figures, reported a rise of just 0.1 per cent in August. Both indices show that prices were still lower - by more than 2 per cent - last month compared with August 1992. Halifax said that house prices have generally stopped falling but did not rule out some month-on-month falls during the year. Nationwide also expects house prices to have shown a "modest" increase by the end of the year compared with the end of 1992.

# Nikkei hits year's high

The Nikkei stock index closed up four days out of five this week, and hit a new high for the year on Friday. Other markets in the region are hitting all-time highs, but Tokyo's closing high of 21,116 yesterday is still a very long way off the all-time high of nearly 39,000 in late 1989. The Nikkei's most recent low point of about 14,300 was reached in August 1992.

The Tokyo market's sentiment was buoyant this week on expectations of a cut in the official discount rate, which has so far failed to materialise, but investors still hope for an easing of monetary policy with the release of a Bank of Japan report on business sentiment next week.

# BES sponsors launch three schemes

Business Expansion Scheme sponsors, Neil Clark have launched new schemes. Pembroke Residences offers a cash-backed fixed rate price after five years of 122p for every 100p invested, equating to 14 per cent per annum for a higher-rate taxpayer.

The cash-backed fixed return for Oxford Isle Residences is 122p or 60p plus 2.5 p for every 1 per cent rise in the FT-SE 100 index, with a lock-in at 25 per cent growth. Second Greenwich Student Halls pays a fixed return of 123p or 75p plus 1p for every 1 per cent rise in the index with lock-ins at 25 per cent, 50 per cent and 75 per cent rises, plus a 2p bonus. More BES, page IV

# Abbey National's fixed bond

Abbey National is launching a five-year fixed-return bond which guarantees a return of 40 per cent gross or 30 per cent net after five years. This is equivalent to 6.83 per cent gross per annum, or 5.14 per cent net. The bond is aimed at people approaching retirement or anyone else expecting to become a non-tax payer within the next five years, as they will be able to receive the interest gross when the bond matures. The minimum investment is £1,000. No interest will be paid on bonds closed before the maturity date of 1 December 1998, and redemption is not possible before December 1995.

# First Direct's interest rate move

First Direct, the telephone banking arm of Midland bank, has introduced a staggered interest rate charge for authorised overdrafts. Until August 31, the authorised rate was 16.2 per cent (17.4 EARR); the change means that those overdraft pay 15 per cent per annum (16 EARR) up to £250 and 18 per cent (19.5 EARR) on borrowings above this amount. The unauthorised overdraft rate remains 28 per cent per annum (31.8 EARR).

# Marginal rise in small companies

Small company shares rose marginally over the week with the House Govett Index (capital gains version) up 0.1 per cent from 1590.21 to 1592.04 over the seven days to September 2.

AS THE interim results reporting season gets under way, stockbroking analysts have their pens poised to adjust profit forecasts for this year and next.

A serious reduction in earnings forecasts for the market as a whole could put pressure on share prices, while a more optimistic outlook would underpin the recent run up in the Footsie index.

The past week has seen a number of corporate results and statements, some of which have been poor, while company chairmen are reaching for adjectives such as "fragile", "patchy" and "fitful" to describe their view of the economic outlook. There appears to be a dichotomy between corporate statements and those from politicians and economists who talk of recovery.

A profit warning from Tate & Lyle, the sugar and sweeteners group, on Wednesday, led to analysts cutting forecasts from around £235m to £220m for the year to end September. Also on Wednesday, Simon Engineering slumped into a first half loss of £53.6m and

passed its dividend, while Courtaulds Textiles' interim profits fell 16.5 per cent.

On Thursday Bowater, the packaging and industrial films group, reported sharply higher profits but the chairman said orders were slackening and "confidence remains fragile". Ladbroke profits were lower.

While this sort of news was coming out, the Footsie was retreating from its 3100-plus level reached the week before.

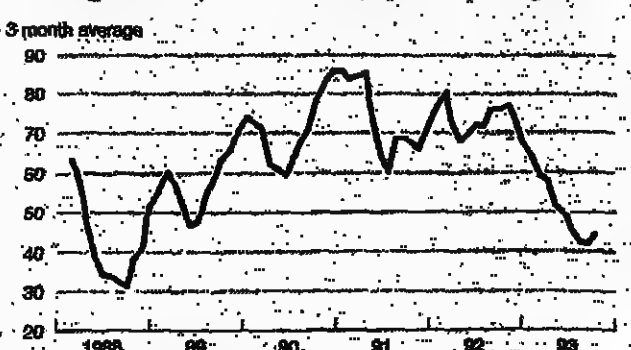
But it may be too simplistic to say that poor trading statements have led to a fall in the market, although individual share price falls such as Tate's drop of 25p to 375p on Wednesday and Bowater's 21p fall to 494p on Thursday are included in the Footsie.

Mixed with the bad news were some encouraging signs. Vickers, the engineering group, and Sun Alliance, the insurance company, returned

# The Bottom Line

## Paradise is not quite here

Downgrades as a % of forecast changes



to profits, while others such as Cookson, Senior Engineering, Burmah and Rolls Royce, Reckitt & Colman, as well as Bowater, lifted profits. Even Courtaulds Textiles chairman said "we are basically bullish about the British recovery" blaming the profit fall largely on continental Europe.

Rather than concentrating on earnings, many market commentators believe the fall has more to do with receding hopes of early interest rate cuts.

Mr Michael Hughes, strategist at Barclays de Zoete Wedd

Securities, says "the market is much more interest rate sensitive than earnings sensitive". Mr Nick Knight, of Nomura Research Institute, concurs, saying, "the market is 1 per cent about earnings, and 99 per cent about the US long bond".

Neither is cutting his forecast of earnings growth from the market for 1993 and 1994. Mr Hughes is forecasting a 15 per cent rise in industrial group earnings in 1993, and has increased his forecast for 1994 from 15 to 17 per cent.

However, he says there has been a slight tendency by BZW's sector analysts to mark estimates down a bit. BZW tracks the proportion of downgrades out of total changes in forecasts for large companies. Since 1989, more than half the changes had been reductions until May this year when upgrades exceeded downgrades. Recently the

trend has headed slightly lower again with downgrades over 50 per cent again in August.

A contrary view is taken by Mr Bob Semple, strategist at NatWest Markets. Although not changing his earnings forecasts after this week's news, he is warning that the market may start getting worried about earnings prospects. He points out that companies can no longer guide analysts' profit forecasts, leaving a greater margin for error.

Mr Knight of Nomura is expecting 30 per cent growth over the two years, without being specific over the split between 1993 and 1994. He says that the benefits of sterling leaving the ERM last September, and the interest rate cuts which have followed, were bound to take time to work through to companies. "This reporting season was the very first opportunity to see any improvement in earnings. If there is a six month delay it is not out of line with the logic. It is just paradise postponed."

Maggie Urry



*Scheherazade Daneshkhu and Bethan Hutton outline the financial effects and legal implications of the decision to end a marriage*

<sup>14</sup> FT, May 20th, 1998, performance for segregated funds over 5 years to 31/12/97  
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## FINANCE AND THE FAMILY

**J**UST UNDER 1,000 investors in Bulldog Premium Growth I and II loan-back business expansion schemes, stand to lose tax relief following a warning from the Inland Revenue.

The investors have been told by Charterhouse Tilney, the sponsors, that on August 25 the Inland Revenue had taken "the provisional view" that the companies' shares were not issued before midnight March 15. The abolition of loan-back BES companies was announced in the Budget.

The 960 investors in the Bulldog Companies have therefore been warned by Charterhouse Tilney that they may get back only 75p for every 100p invested, if they take the loan from Barclays bank. The deadline for take up of the loan facility has been extended beyond the original September 15 date until after the result of the Revenue's appeal against two other BES loan-back schemes.

The Revenue is appealing against a High Court judgment reversing the Revenue's decision that National Westminster bank's Homeshare scheme and BZW's Gracechurch companies are ineligible for tax relief. The hearing is not expected until October.

There has been a rash of new issues this week. Sponsors Capital Ventures has launched three BES schemes. Cambridge Collegiate II seeks to raise £29.85m for Fitzwilliam, New Hall, Robinson and St Catherine's colleges. The cash-backed contracted exit price is 122.5p, equivalent to an annual return after five years of 14.3 per cent. Queens' College, Tenancies and Lady Margaret Options are both FT-SE 100-linked schemes. The first seeks to raise £17m for Queens' Col-

## BES tax warning



Cap and gown colleges are among the main beneficiaries of BES schemes

lege, Cambridge. The contracted exit price is 121p or investors can choose a variable return of a minimum of 60p after five years plus 2.5p for every 1p per cent increase in the FT-SE to a maximum of 40p per cent growth in the index. There is a lock-in facility once the index rises by 25 per cent.

Lady Margaret Options aims to raise £17m this time to buy properties from St John's College of Lucy Cavendish College, Cambridge and is for those with a more bullish view of the FT-SE. The fixed exit option is 121p or investors can choose a 60p return plus 2p for every 1p per cent increase in the index limited to a 70 per cent rise. The lock-in is at 35 per cent growth.

The minimum investment in all three Capital Ventures schemes is

£2,000. Hodgson Martin is launching the University of Oxford Accommodation Companies, the first BES offer by the university itself. The aim is to raise £15m for accommodation to let to graduate students on an assured tenancy basis. The exit price is 123p and the minimum investment is £3,000 (£2,000 for Oxford graduates, beneficiaries and staff).

Hodgson Martin is co-sponsoring an issue with Allied Dunbar to raise £17.5m for accommodation for St Catherine's and St John's Colleges, Oxford. Allied Dunbar Stockmarket BES takes a different approach to the FT-SE linked schemes to date by promising to lock in 72 per cent of any annual growth in the index and locking out subsequent losses. The minimum return is 75p per 100p invested.

*Scheherazade Daneshkhoo*

## Hard choice for trust investors

UNIT TRUST investors are being forced to choose funds based on vastly differing yield calculations which, in many cases, make it impossible to compare competing funds on a like-for-like basis even though the underlying portfolios can be very similar.

This dilemma is now all the more acute for investors who have seen returns from building societies plummet as interest rates have fallen since sterling left the exchange rate mechanism.

Unit trusts investing in shares and fixed interest securities can now provide higher levels of income than building society deposit accounts. But because yields on unit trusts are calculated using such variable criteria, investors have no way of knowing if a quoted yield will equate to the yield actually received by them.

Ken Knowlton, technical director of Savis & Prosper, one of the country's largest unit trust companies with £2.7bn under management, says: "There are various permutations, which is why there's a problem. There is definitely a need to standardise yield calculations. It's interesting how unit trusts

have similar portfolios but have different yields."

With this in mind, the Life Assurance and Unit Trust Regulatory Organisation (Lautro) is investigating ways to impose a standard method of

calculating yields. It has asked the Association of Unit Trusts and Investment Funds (AUTIF) to provide proposed yield calculations for equity funds, cash funds and bond funds.

The different methods unit trust companies can use at present to measure yield figures include:

*Differing yield calculations make it impossible to compare competing funds, says Damian Reece*

■ Calculating an historic or an anticipated yield basis. Philip Warland, director of Autif and chairman of the working party to examine yield calculations, says: "You can get substantial differences because companies are using past yields, especially if they think future yields will fall. If

the assets. ■ Boosting yields on equity income funds by placing assets in cash instead of equities at different times.

This means unit trusts can quote yields for short periods which are higher than yields on trusts with very similar objectives but with smaller short-term cash holdings.

■ Yields will differ from trust to trust depending on which price is used to calculate the yield. A fund manager can express a yield either as a percentage of the value of the fund on an offer price basis or on a bid price basis. The former will give a lower yield

than the latter.

■ No rules exist to govern the stage at which a fund manager calculates a yield. This means a yield can be expressed either before or after charges. If after, the manager can decide which charges to be taken out of capital and which should be taken out of income, again affecting the final yield figure.

Graham Large, an independent financial adviser who publishes *Income Fund Analysis*, a specialist survey of UK income funds, says: "A standard method of quoting gross yields is long overdue. If the numbers are to have any value to prospective investors and their professional advisers, they must be comparable, like with like."

Large suggests that a common sense approach would be for every unit trust company to quote a yield on an historical basis. This would involve the last complete year's distribution after expenses but before tax, as a straight percentage of the present offer price.

The yield would fall as the unit price increased. As each new distribution was declared and the last declaration fell out of the calculation, the yield would be re-calculated up or down.

Large adds: "Even this basis is not conclusive. But what has actually been paid out for the most recent year is probably the most reliable guide we can have, perhaps with the flexibility for the managers to publish a lower yield if they know the forecast income is going to be lower in the year ahead."

## DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED &amp; US\$M)

Company	Share	Value	No of Directors
SALES			
Barclays Bank	Bank	102,000	505
BHP	Steel	32,712	248
British Airways	Aviation	200,000	80
British Telecom	Telecom	907,604	487
Carroll Engineering	Engg	10,000	24
CIA Group	Med	40,000	120
Cowie T	Med	1,500,000	3,900
Hoskins Brewery	Brew	1,104,000	308
ICI	Chem	114,812	792
Low & Bonar	Pack	3,750	13
Lowndes Lambert	Insur	24,000	106
Marks & Spencer	Retail	149,520	559
Midwest Holdings	H&L	3,000,000	130
Northern Foods	Food	50,000	142
Quadrant	Chem	6,000	39
Scott Picken	Bus	70,000	25
Transport Development	Trans	5,000	13
Wagon Industrial	Engg	9,300	38
Wellcome	Pharm	39,293	288
PURCHASES			
British Evening Post	Med	5,000	17
Hoskins Brewery	Brew	750,000	413
Malville Street	Int'l	9,280	12
Mercury Asset Mgmt	Inv	9,000	39
Quadrant	Chem	9,000	10
Victrola	Engg	22,000	98

Value expressed in US\$M. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (if 1% or more of the company's shares are involved). Information released by the Stock Exchange 23-27 August 1993. Source: Companies Ltd, The Inside Track, Edinburgh

## The Week Ahead

GLAXO, reporting full year results on Thursday, might sound more cheerful about its prospects in the US following President Clinton's conciliatory message about health care reforms this week.

Pre-tax profits for the year ended June are forecast at around £1.65bn against £1.48bn a year earlier. A final dividend of 13p is likely making 30p for the year (17p a year ago).

Cadbury Schweppes is expected to deliver results in line with management's bullish assessments of trading in recent months when it reports first-half figures on Thursday. Many analysts forecast pre-tax profits of at least £180m, up from £126m last time.

Forecasts for Prudential, reporting on Wednesday, vary from £218m to 280m pre-tax against £248m a year earlier, an increase in dividend to about 4.5p from 4.1p is also forecast. Better life insurance

performance will be overshadowed by losses on re-insurances. George Wimpey, reports on the same day. Some analysts forecast a small interim pre-tax profit, others a small loss, against a loss of £7.2m a year ago.

Blue Circle should report on Thursday interim pre-tax profits slightly ahead with the dividend unchanged. AMRC's interim pre-tax profits are likely to be slightly lower than last year's £20.6m.

Following a recent trading statement, Hillsdown Holdings' results on Tuesday will be carefully scrutinised. It said it would achieve operating profits of not less than £80m but it has its work cut out to improve the profitability of its diverse food businesses. Coats Virella on Thursday is forecast to report a moderate rise in interim pre-tax profits to about \$54m from \$46.5m a year earlier.

## TAKE-OVER BIDS AND MERGERS

Company	Value of bid per share	Market price	Price bid	Value of bid per share	Notes
Assoc. Plasterers	150p	150	124	6.50p	Union Plaster
Procter & Gamble	32p	306	255p	79.40	17 BCC
Steel Pipe Central	253p	239p	321p	28.80	17 Peel Plaster
Woolworth	42p	34	36	15.07	Gray Plaster
Woolworth	42p	423	381	87.35	30 BCC

70 cash offer; 1/10th of bid based on 30% share. (For capital not already held.) Unconditional. Offered on 25p per share 30/9/93. 1/10th of bid based on 30% share. 1/10th of bid based on 30% share. 1/10th of bid based on 30% share.

## PRELIMINARY RESULTS

Company	Year	Pre-tax profit	Share price	Dividend
Blackburn	1992	26	86	1.0
Blackburn	1993	104,400	7,500	1.0
Blackburn	1994	400	33.2	2.7
Blackburn	1995	21,000	110,000	1.0
Blackburn	1996	181	69	1.0
Blackburn	1997	184	11.4	3.8
Blackburn	1998	20,000	1,000	1.0
Blackburn	1999	129	1,100	1.0

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- 7 Surrender Value

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## INTERIM STATEMENTS

Company	Sector	Half-year	Pre-tax profit	Interim dividend
Admiral	Sec	Jun	2,180	1.80
Admiral	Sec	Jul	2,180	1.80
Admiral	Sec	Aug	118	1.80
Admiral	Sec	Sep	3,290	1.80
Admiral	Sec	Oct	1,580	1.80
Admiral	Sec	Nov	4,330	1.80
Admiral	Sec	Dec	17,6	1.80
Admiral	Sec	Jan	102,600	1.80
Admiral	Sec	Feb	151	1.80
Admiral	Sec	Mar	95	1.80
Admiral	Sec	Apr	3,370	1.80
Admiral	Sec	May	90,500	1.80
Admiral	Sec	Jun	1,410	1.80
Admiral	Sec	Jul	4,940	1.80
Admiral	Sec	Aug	47,200	1.80
Admiral	Sec	Sep	5,240	1.80
Admiral	Sec	Oct	842	1.80
Admiral	Sec	Nov	1,510	1.80
Admiral	Sec	Dec	3,880	1.80
Admiral	Sec	Jan	1,210	1.80
Admiral	Sec	Feb	1,710	1.80
Admiral	Sec	Mar	4,200	1.80
Admiral	Sec	Apr	410	1.80
Admiral	Sec	May	11,200	1.80
Admiral	Sec	Jun	6,020	1.80
Admiral	Sec	Jul	8,600	1.80
Admiral	Sec	Aug	82,500	1.80
Admiral	Sec	Sep	1,880	1.80
Admiral	Sec	Oct	4,330	1.80
Admiral	Sec	Nov	31,58	1.80
Admiral	Sec	Dec	5,250	1.80
Admiral	Sec	Jan	4,250	1.80
Admiral	Sec	Feb	1,900	1.80
Admiral	Sec	Mar	751	1.80
Admiral	Sec	Apr	889	1.80
Admiral	Sec	May	8,720	1.80
Admiral	Sec	Jun	8,720	1.80
Admiral	Sec	Jul	11,400	1.80
Admiral	Sec	Aug	4,350	1.80
Admiral	Sec	Sep	210	1.80
Admiral	Sec	Oct	80	1.80
Admiral	Sec	Nov	82,800	1.80
Admiral	Sec	Dec	81,700	1.80
Admiral	Sec	Jan	1,020	1.80
Admiral	Sec	Feb	4,300	1.80
Admiral	Sec	Mar	400	1.80
Admiral	Sec	Apr	378	1.80

(Figures in parentheses are for the corresponding period)

## RIGHTS ISSUES

Rolls-Royce is to raise £300m via a 1 for 4 at 130p rights issue. Wiggins is to raise £2.1m via a 2 for 1 at 24p rights issue. Wiggins is to raise £1.8m via a 4 for 1 at 24p rights issue.

## OFFERS FOR SALE, PLACINGS &amp; INTRODUCTIONS

Wiggins is to raise £7m via a placing of 280m shares at 24p. West Trust is to raise £2.48m via a placing of 8.2m shares at 30p.

## RESULTS DUE

Company	Sector	Announcement	Last year	This year
Adams Group	Med	Tuesday	1.8	2.8
Adams Group	Med	Tuesday	1.8	2.8
Adams Group	Med	Tuesday	1.8	2.8
Adams Group	Med	Tuesday	1.8	2.8
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FINANCE AND THE FAMILY



## Insurers under fire

**T**HE COMPANIES involved in the home insurance market came under attack from two directions this week.

A report in the Consumers' Association magazine *Which?* accused insurance companies of making consumers pay for their own past mistakes, while Direct Line, the telephone-based insurer, hit out at the huge amounts of commission earned by building societies for selling home insurance to their customers.

The Consumers' Association said increases in claim rates for theft had slowed, and subsidence claims had almost halved since 1981, but premiums continued to soar.

"The insurers' return to profit should benefit consumers and not the industry alone," the association said.

Its figures, based on premiums from five of the biggest insurers, show contents premiums have risen by 80 per cent since 1987, while buildings insurance has risen by about 80 per cent since 1987.

Figures from the Association of British Insurers also show substantial increases for buildings insurance, rising from an average of £108 in 1987 to £195 in 1992, while contents rose from an average of £71 to £114.

These statistics are from the government's family expenditure survey, which records how much families spend on insurance, including if they have swapped insurers or reduced the level of cover, rather than how much the price of identical policies has gone up.

Direct Line, which aims to increase its share of the

household insurance market, attacked building societies for the amounts of commission they made from selling home contents and buildings insurance policies, and argued for legislation to protect the consumer.

"The status quo in this market is maintained by protective and punitive action taken by building societies and by a lack of competitive information from the industry," the company said.

According to its submission to the Office of Fair Trading, the average consumer will pay £3,000 in commission over the period he or she holds household insurance policies.

**M**ost are unaware of how much money goes to the intermediary as commission. Up to 30 per cent of buildings premiums can be commission. Consumers are easy targets, preoccupied with moving house, Direct Line said. It called for disclosure of commission levels.

The report pointed out that while insurers had made consumers pay for rising claim levels, they had not seen the benefit of falling costs, such as house rebuilding costs, which have dropped 10 per cent during the last 18 months.

The company also criticised the building societies' practice of making mortgage offers conditional on customers buying household insurance from them, and discouraging them from changing insurers later by charging a fee.

The Building Societies Association's 1989 code of

practice does not allow mortgages to be tied to the sale of insurance products, except for special packages, such as fixed rate or first time buyer mortgages.

The sale of such packages has taken off recently and now accounts for more than half of new lending. Most packages oblige borrowers to buy insurance products.

Some home insurance providers now use the quirks of the market as a sales ploy, offering new customers who were previously insured through their mortgage lenders a first year discount of about 25, equivalent to the "administration fee" charged for switching insurers by many building societies.

Direct Line said that existing legislation could remedy problems of commission disclosure and compulsory tie-ins, but it had not been implemented.

The Association of British Insurers dismissed Direct Line's submission as publicly seeking, seeing no need for legislation.

"It is perfectly acceptable for lenders to offer package deals to consumers; normally lenders are willing to do non-package deals as well - it is up to the consumer to choose."

The obligation to buy insurance as part of a package was generally made clear, the association said. Administration charges for switching buildings insurance were justified as lenders had a lot at risk, and had to check cover was adequate.

Bethan Hutton

### Annuity Rates

THE TABLE shows level annuity rates for those with £100,000 to invest. Top three rates are shown for various ages. Rates are also quoted with and without spouse's benefit.

ANNUITY RATES AS OF SEPTEMBER 1			
Level annuity, no spouse's benefit			
Male age 60	Gra Annuity	Female age 65	Gra Annuity
1 Equitable Life	£10,629.96 RNFN	£8,907.00	£8,907.00
2 RNFN	£10,601.00 Legal & General	£8,886.00	£8,886.00
3 Legal & General	£10,528.00 Equitable Life	£8,817.00	£8,817.00
Male age 65	Gra Annuity	Female age 60	Gra Annuity
1 RNFN	£12,043.00 RNFN	£9,628.00	£9,628.00
2 Equitable Life	£11,665.00 Equitable Life	£9,447.00	£9,447.00
3 Canada Life	£11,482.32 Legal & General	£9,346.00	£9,346.00
Level annuity with 100 per cent spouse's benefit			
M age 55/F age 50	Gra Annuity M age 60/F age 55	Gra Annuity	
1 Legal & General	£8,116.00 Equitable Life	£8,267.96	
2 Equitable Life	£8,058.00 Legal & General	£8,296.00	
3 RNFN	£7,977.00 RNFN	£8,371.00	
M age 65/F age 60	Gra Annuity M age 70/F age 65	Gra Annuity	
1 RNFN	£8,951.00 RNFN	£8,605.00	
2 Equitable Life	£8,891.04 Equitable Life	£8,608.00	
3 Legal & General	£8,795.00 Legal & General	£8,579.00	

All payments are monthly in advance. Figures are based on annuities without a guarantee. Purchases price £100,000.

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### Emerging markets

SCHROEDERS HAS become the latest unit trust company to launch an emerging markets fund. The fund management group cites its worldwide network - it has offices in eight of the emerging markets - as giving it an edge in this increasingly fashionable area, writes Philip Coggan.

Emerging markets are found in Asia, Latin America and parts of Europe. They are attracting investor interest as their economies are growing faster than those of the developed world and they are starting to deregulate and to welcome foreign investors.

Fund manager Giles Neville says that the fund will use a combination of a "top down" and "bottom up" investment approach.

"In newly emerging markets, it's picking the country that counts," he says "but as the markets get more developed, stock picking becomes more important."

Schroders set up an offshore emerging markets fund in May 1992 and this was 19th out of 187 funds in the international equity sector during the year to August 1, according to Hartwick Stafford Wright.

The initial charge will be 5.25 per cent and the annual charge 1.5 per cent. Investors who pre-register with Schroders will receive a 1 per cent discount. The minimum investment will be £1,000.

The popularity of emerging markets funds was illustrated this week when Mercury announced it had raised £40m in three weeks for its new unit trust, compared with its target of £20m. A 2 per cent discount is still on offer until September 17; the normal initial charge is 5.75 per cent and the annual charge 1.5 per cent. The minimum investment is £1,000, or £50 per month.

Kleinwort has attached a savings scheme to its emerging markets investment trust. The minimum investment will be £25 a month, £100 a quarter, or £250 a year; the dealing charge will be 0.5 per cent. The Kleinwort fund follows a strategy by which holdings in countries are reduced after markets have enjoyed substantial rises, and increased if they have suffered falls. Potential investors should note, however, that the trust shares stand at a small premium to net assets.

### Unit trusts

## Newton reaps the PEP benefits

**R**OBERT SHELTON says he manages the Newton Income trust in a very conservative fashion. But that has not stopped the fund from being one of the best performing Personal Equity Plans on the market.

About half the fund's near £180m under management has come from PEP investors, and during the past year the trust's popularity with private investors has enabled it to treble in size.

The long term record of Newton Income is certainly impressive. The trust is top of the UK equity income sector over both the five and seven years to August 1 with growth of 105.4 per cent and 273.1 per cent respectively (offer-to-bid with income reinvested, source Hartwick Stafford Wright).

Over the three year period, it is 5th out of 106 funds and over two years, it is 7th out of 107.

In October 1992, this kind of consistent performance earned Newton Income a top AAA rating from Fund Research, the independent group which monitors unit and investment trusts.

Ironically, in view of the praise and the new money that has flowed into the trust, during the past year Newton Income has slipped down the relative rankings.

The trust is placed 66th out of 111 equity income funds over the year to August 1, although investors have still enjoyed growth of 27.1 per cent.

Shelton, who has run the fund since March 1986 (apart from a one year secondment to Newton's finance department), says that the trust was caught out by Black Wednesday, when sterling departed from the

### European Exchange Rate Mechanism

"Over one 24 hour period" he says "we lost eight percentage points relative to the market." The income fund, following its conservative precepts, was not invested in the highly cyclical stocks that benefited most from the post Black Wednesday rally.

The fund has remained cautious over the past year with a high weighting in bonds (which have performed very well over the last year, as inflation and interest rates have fallen).

Shelton says that the fund will generally outperform a static or falling market, but that it will tend to underperform a rapidly rising market.

The objective is to outperform the All-Share over a rolling three year period.

Newton follows a highly structured investment management style, with a strategy committee chaired by founder Stewart Newton, deciding on the important themes that the group will try to exploit.

Added to this "top down" view are the "bottom up" stock selections of the company's 20 or so in-house analysts.

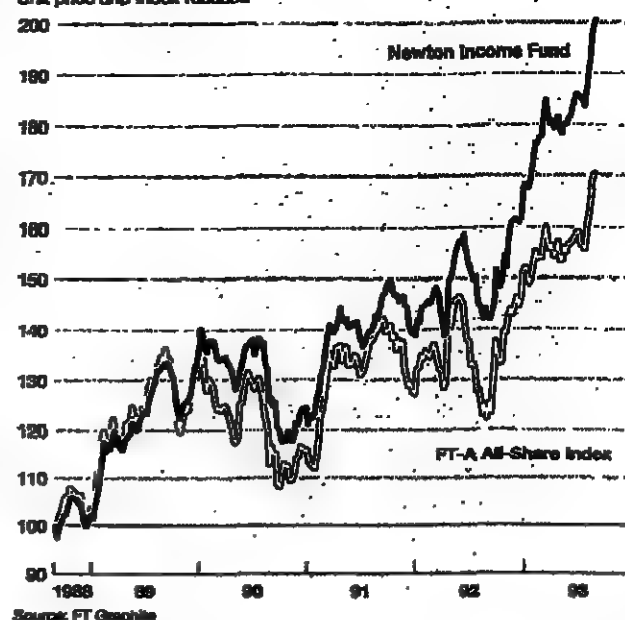
These views are condensed into three model portfolios, which are designed for Newton's pension fund clients.

Robert Shelton then selects from the portfolios those stocks which most closely meet the income fund's requirements.

However, he also buys other stocks which can exploit the "themes" highlighted by Newton's strategy committee, given the rapidly rising size of the fund, the portfolio now holds 100-120 stocks.

### Newton Income

Unit price and index rebased



Source: FT Graphix

The Newton investment "themes" can be very general. The group has been concentrating on monitoring corporate cashflow during the recession, which has helped it avoid many of the problem stocks that have damaged the performance of other income funds.

A high weighting in utilities has also provided a boost to performance.

"We have been heavily invested in water and electricity stocks, although we have moved out of water in recent months" says Shelton. The fund has also taken advantage of its ability to hold a portion of its assets overseas and has, for example, a stake in the Italian telephone companies SIP/STET.

The 10 largest holdings in the portfolio at the moment are gilts and bonds; Nat West; East Midlands Electricity; Hong Kong and Shanghai Bank; BAT; Unilever; TSB; Shell; BT; and British Gas.

Although the fund is in the equity income sector, Shelton says that yield is not the over-riding consideration when picking stocks.

"At no time will we sacrifice capital for income" he says, stressing that the ultimate aim is total return.

Another of Newton's investment themes is "communications" and Shelton accordingly owns a low-yielding stock such as Vodafone in the fund.

"We can balance the low yields on some of our stocks

against the high yields we get on bonds" he explains.

The fund's distribution, which is paid quarterly, was cut in 1991, but this was due to the effect of the management charge being taken out of income, rather than capital. The current yield on the trust, after charges, is only 3.5 per cent. That is below the yield on the All-Share, although equity income funds are required to produce a yield which is 110 per cent of the index.

That has been a common problem with income funds since equity yields fell substantially and managements have taken their charges out of income. In theory, Newton Income would need to be reclassified unless its yield increases but the sector definition may yet be changed, given the widespread nature of the problem.

The Newton income is not really designed for those who want a high running yield. But most of its PEP investors currently reinvest their income and should, in theory, not worry whether their return comes in the form of income or capital gain, since both are tax-free.

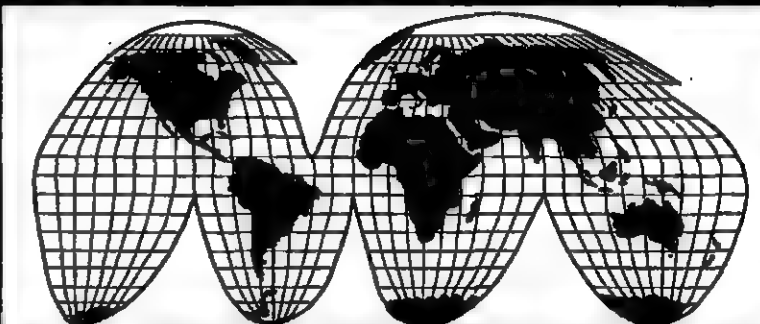
They certainly ought to be satisfied with its long term growth so far.

Charges. The initial charge is 6 per cent (at the higher end of the unit trust charging scale); the annual charge is 1.25 per cent.

The current bid-offer spread is 6 per cent. The minimum investment is £1,000 or £100 per month via the savings scheme. For the Personal Equity Plan, a monthly investor must put in a lump sum of £1,000 as well as the £100 per month.

Philip Coggan

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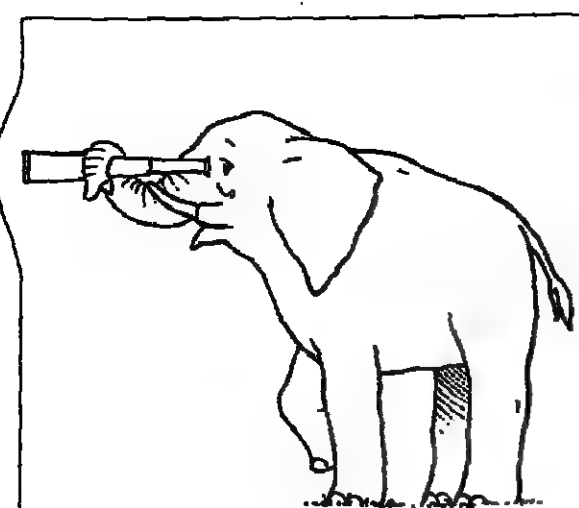
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## Q&A

**BRIEFCASE**  
No legal responsibility can be accepted by the Financial Times for the accuracy of the information. All enquiries will be answered by post as soon as possible.

**T**HE TAXATION of dividends was radically altered by Norman Lamont, the former chancellor, in his last Budget. For private investors in particular, the new system is much more difficult to understand than the one it replaced.

Unsurprisingly, the Weekend FT's Q&A Briefcase section has received a lot of questions on this topic in the last few months, including the rather strange interaction of income and capital gains tax. In this article, I try to explain the new provisions in basic terms so that readers will be able to work out their own situation from the principles involved.

Let us start by reminding ourselves of the basic tax rules. The first slice of income is covered by personal allowances (eg a single person's allowance of £2,445) and reliefs (eg for BES investment); the first taxable slice of £2,500 is taxed at the lower rate of 10 per cent; the next slice between £2,501 and £28,700 is taxed at the basic rate of 20 per cent; and anything over this is taxed at the higher rate of 40 per cent.

Capital gains add a certain amount of complication. In principle, however, once the gains of the year, net of losses, exceed the annual exemption of £5,000, they are taxed as though they were a top slice of income. Consequently, if your net gains, after deducting your annual exemption, come to £5,000 and your income, after deducting personal allowances and reliefs, comes to £20,000, then the first £2,500 of your gains are taxed at 10 per cent and the remaining £2,500 at 20 per cent.

After the Budget, however, the position is considerably more complicated. I will start with those of you who - perhaps as a spouse of a breadwinner - do not pay any tax or whose marginal tax rate is at the lower rate, and then move on to those who are basic rate and higher rate taxpayers. I will concentrate mainly on UK dividends as part of income.

I will also deal with the effect of realising capital gains (meaning, for simplicity, gains arrived at after deducting the annual exemption). It will be seen that the treatment of UK company dividends, together with the treatment of capital gains where there is insufficient non-dividend income to absorb the lower rate band, produces quirks.

The basic point is that a dividend from a UK company now carries a tax credit of 20/80. This means that a dividend of £80 from a UK company is grossed up to £100 and a credit of £20 is available for offset

**A more complex system of taxing dividends is explained by Maurice Parry-Wingfield**

against the tax liability or, where appropriate, to be repaid. (Previously the rate of tax credit was 25/75 so that a dividend of £80 would be grossed up to about £107 and carry a tax credit of £27).

**Non-taxpayers**  
If your income is fully covered by allowances and reliefs, an additional dividend of £80 will use up a further £100 of those allowances and reliefs and entitle you to a tax repayment of £20. Capital gains (ie, as mentioned, gains in excess of the annual exemption) will be taxed at 10 per cent, 20 per cent and 40 per cent, depending upon the amount.

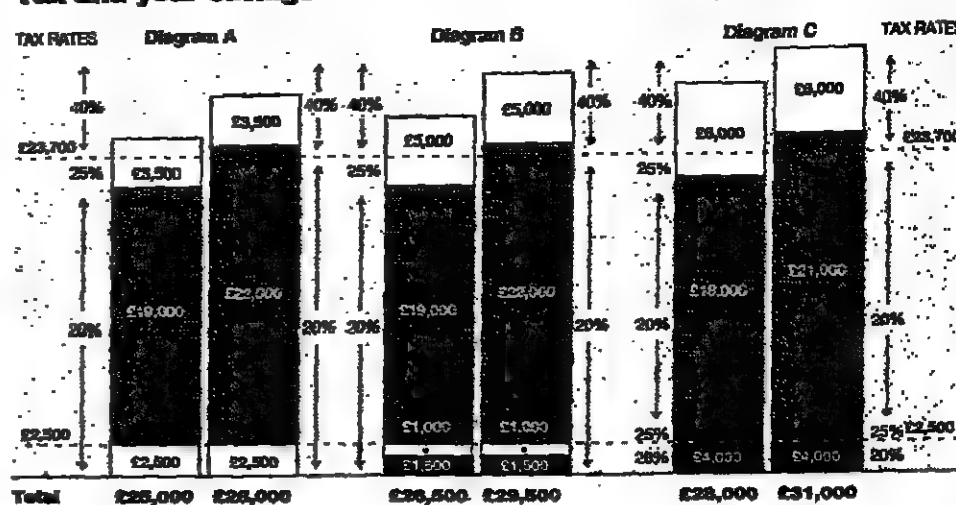
**Lower rate taxpayers**  
If you fall within this category, an additional dividend of £80, grossed up to £100, will be tax-

## FINANCE AND THE FAMILY

### Briefcase Special

# Why dividends may prove taxing

### Tax and your savings



Source: Touche Ross

able at 20 per cent but fully covered by the tax credit of £20, so there will be no tax payable or repayable. Capital gains will be taxed at 20 per cent, and then at 25 per cent and 40 per cent if they are high enough.

**Basic and higher rate taxpayers**

The fun starts where dividends, when added to other income, fall within the basic rate band. Here you might think that a dividend of £80, producing gross income of £100, would give you a net tax liability of £5 - ie tax at 20 per cent less a credit at 20 per cent. In fact you will have no liability because the legislation provides that, within the basic rate band, the rate of tax applying to dividends is only 20 per cent, not 25 per cent.

No doubt it was felt that the policy of reducing Revenue manpower would not be helped by making inspectors collect trivial liabilities on dividends.

This treatment, once understood, is not particularly difficult to apply in calculating your income tax liability. The real problem comes when capital gains are taken into account. The draftsman of the new tax rules had to decide at what rate to tax gains where dividends are taxed at the new "dividend rate" of 20 per cent. His solution is best explained by looking at the following four examples.

These show that dividends are taxed after other income, but where that other income falls short of the £2,500 lower rate limit, gains take up the remainder of the lower rate band so far as possible. This is a departure from the principle that gains are always taxed as though they are a top slice of income.

**Example 1**  
You have enough income other than dividends to absorb your lower rate band of £2,500. Here your dividends are taxed

as the next slice, at the 20 per cent "dividend rate" or at 40 per cent as appropriate; and your gains are then taxed as the top slice, at the basic rate of 25 per cent or at 40 per cent as appropriate.

**The tax tangle**

Source	Cumulative Total	Rate
Savings	up to £2,500	10%
Dividends	up to £2,500	20%
Dividends	up to £28,700	20%
Gains	over £28,700	40%

Source: Touche Ross

as appropriate.

**Example 2**  
Your income consists entirely of dividends. Here your income and gains are taxed in the sequence shown in the table.

This is illustrated in columns 1 and 2 of diagram A, which shows how your income and gains are apportioned between the three rate bands in two situations. (In this and all other examples, it is assumed that you already have sufficient other income to absorb your personal allowances and reliefs).

**Example 3**  
You have non-dividend income but it falls short of the lower rate limit. Here the position is the same as in example 2, except that the non-dividend income uses up the bottom slice of the lower rate band, so that more of your dividends and gains will be pushed into the other rate bands. This is illustrated in columns 1 and 2 of diagram B, which are identical to those of diagram A

except that interest of £1,500 has been added.

**Example 4**  
Your non-dividend income exceeds the lower rate limit. Here a different approach is taken. Your income and gains take you through the rate bands in the following sequence: non-dividend income, then dividend income, then gains. This is shown in columns 1 and 2 of diagram C.

For the technically minded, I should mention that the legislation which allocates income and gains to the rate bands provides that, for income tax purposes, the basic rate limit is reduced from £28,700 to the extent that capital gains use up any part of the lower rate bands. Since this does no more than ensure that gains taxed at the lower rate are included within the full basic rate limit, I have ignored it to be able to explain the new system clearly.

**Foreign dividends**  
Finally, we have to consider the impact of foreign dividends. These are treated in much the same way as UK dividends - including the 20 per cent dividend rate where they fall within the basic rate band - subject to two exceptions.

The first is that there will normally be overseas withholding tax to credit against your UK tax, resulting in a reduction or even elimination of your UK liability. The second relates to those of you who are not domiciled in the UK. Your foreign dividends are taxed in the UK on the "remittance" basis, and accordingly the 20 per cent dividend rate does not apply - though it does, surprisingly, for Irish dividends.

**Conclusions**  
These issues are important, for two reasons in particular. First, the tax treatment of dividends and gains is yet another example of the regrettable trend away from the Lawsonian simplification of the tax system of the late 1980s.

Anything which makes it more difficult for you to work out your own tax liability is retrograde. It causes unnecessary time and cost for you, your advisers and the Revenue.

Equally important, if you do not know your marginal rate of tax, you are not in a position to make informed investment decisions. Either you will make the wrong decisions, or you will play safe and put your funds into a bank or building society account.

Maurice Parry-Wingfield is a tax partner with Touche Ross & Co

### News in Brief

**GENERAL Portfolio Life Insurance** has launched a Protected Equity Fund which will be available across its product range, including life insurance and pensions.

As with other guaranteed products, the fund will invest in cash and in options on the FT-SE 100 index. The cash is designed to ensure that after three months, the unit price will have fallen by no more than 2.4 per cent; the options will capture, on past experience, around 7.4 per cent of the FT-SE 100 index's rise. The FT-SE 100 index does not account for dividend income from the underlying shares.

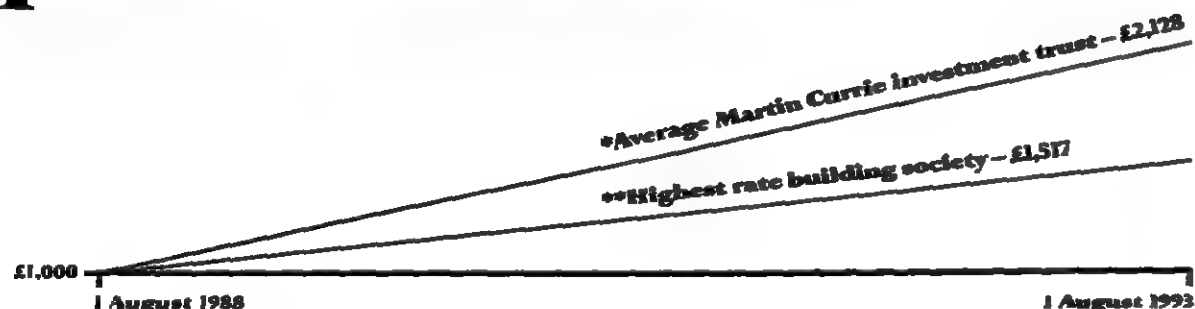
Charges will vary depending on the product to which the fund is attached. John Govett, which is managing the fund, takes 10 per cent per annum of any increase in the underlying

value, existing borrowers can opt for a 1.75 per cent discount off the variable rate (on loans of up to 90 per cent).

There is also a "lifetime" fixed-rate mortgage at 8.99 per cent (APR 9.7 per cent), which can range from between 10-25 years. The arrangement fee is 2 per cent of the loan, and there is a three month's early redemption premium.

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North of England BS	Edinburgh	081 510 0048	Postal	£10,000	7.00% Yly
Bank of Wales BS	Belfast	0900 100117	Postal	£25,000	7.10% Yly
				£50,000	7.25% Yly

<b>NOTICE A/c's and BONDS</b>					
Greenwich BS	Capital Shares	081 858 8212	30 Day	£10,000	7.10% Yly
Scarborough BS	Scarborough 3	0723 368155	90 Day	£25,000	7.55% Yly
Universal BS	High Income Bond	091 232 0973	1 Year	£50,000	8.35% A Yly
Bank of Wales BS	Limited Edition	0900 488487	31.95	£50,000	8.40% Yly

<b>MONTHLY INTEREST</b>					
Birmingham BS	Capital Trust	0838 386115	Postal	£5,000	6.45% Mly
Bank of Wales BS	Birmingham Monthly	0800 100117	30 day	£25,000	7.55% Mly
Bank of Wales BS	Limited Edition	0800 488487	31.95	£25,000	7.81% Mly
Cheltenham BS	Base Rate Plus	0800 272505	21.95	£5,000	7.75% Mly

<b>TESSAs (Tax Free)</b>					
Hickley & Rye BS	0455 251234	5 Year	£25	8.05% Yly	
Durham BS	0383 721021	5 Year	£3,000	8.00% Yly	
National Counties BS	0372 738702	5 Year	£3,000	7.90% Yly	
Dudley BS	0384 231474	5 Year	£10	7.87% Yly	

<b>HIGH INTEREST CHEQUE A/c's (Gross)</b>					
Caledonian Bank	HCA	031 558 8235	Instant	£1	5.50% Yly
Cheltenham BS	Classic Postal	0800 717515	Instant	£2,500	6.85% Yly
Northam Bank	Current	0800 581500	Instant	£50,000	6.93% Mly

<b>OFFSHORE ACCOUNTS (Gross)</b>					
Woolwich Guernsey BS	Woolwich Int	0481 715735	Instant	£500	6.25% Yly
Confederation Bank Jersey	Flexible Invest	0534 808000	90 Day	£10,000	6.75% Wly
Derbyshire BOM Ltd	90 Day Notice	0624 883432	90 Day	£50,000	7.80% Yly
Yorkshire Guernsey Ltd	Key Term	0481 710150	31.84	£5,000	6.70% E Yly

<b>GUARANTEED INCOME BONDS (Net)</b>					
Consolidated Life FN	081 940 8343	1 Year	£2,000	4.65% Yly	
Consolidated Life FN	081 940 8343	2 Year	£3,000	5.25% Yly	
Consolidated Life FN	081 940 8343	3 Year	£2,000	5.55% Yly	
Consolidated Life FN	081 940 8343	4 Year	£2,000	6.10% Yly	
Consolidated Life FN	081 940 8343	5 Year	£2,000	6.25% Yly	

<b>NATIONAL SAVINGS A/c's &amp; BONDS (Net)</b>					
Investment A/c	1 Month	£20	6.25% A Yly		
Income Bonds	3 Month	£2,000	7.00% A Yly		
Capital Bonds	5 Year	£100	7.75% A Yly		
First Option Bond	12 Month	£1,000	6.34% A Yly		

<b>NAT SAVINGS CERTIFICATES (Tax Free)</b>					
40th Issue	5 Year	£100	6.75% A Yly		
6th Index Linked	5 Year	£100	3.25% A Yly		
Childrens Bond E	5 Year	£25	7.35% A Yly		

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed - Fixed Rate (All other rates are variable) OM = Interest paid on maturity. Na = Net Rate. A = Rate guaranteed until 1.11.98. B = Rate guaranteed to be at least 2% above base rate (Min 6%) until 2.1.94 and then 1% above base rate until maturity. E = Rate guaranteed until 1.12.93. Q = 6.5 per cent on balances of £25,000 and over. H = 7.25 per cent for balances of £25,000 and over. J = 6.74% on balances of £20,000 and over. Source: MONEYFACTS. The Monthly Guide to Investment and Mortgage Rates, Laundry Lane, North Walsham, Norfolk, NR28 0BD. Readers can obtain a complimentary copy by phoning 0882 500677.

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## PERSPECTIVES

# The unsung king of soap opera

Never heard of Reg Grundy? Oh yes you have, says Raymond Snoddy

**R**EG GRUNDY, an Australian with a neat grey moustache who has just celebrated his 70th birthday, would not stand out in a crowd. He last did a newspaper interview 11 years ago and hardly ever appears on television these days if he can avoid it.

His name, however, is hardly ever off television screens around the world. It should be well known to anyone who ever watches soaps, game shows and mini-drama series - as long as their attention span includes the rolling credits which end with the large initials "RG".

Reg Grundy is remarkable for his ordinariness - except for his collection of Australian art, his enormous ocean-going yacht, his house in Bermuda, his flat overlooking London's Hyde Park and the fact that he is the man behind soaps (serial dramas, as he prefers to call them), like *Neighbours* and *Cell Block H*, and game shows such as *Going For Gold* or *Celebrity Squares*.

Then there is the sharp business brain that has created one of the largest independent production empires in the world. In fact Grundy was an independent producer decades before anyone thought of the term.

"In 35 years in Australian television there never has been a moment when you couldn't see Grundy shows," says Reg, who long ago broke out of the Australian market and invaded New Zealand, Hong Kong and the UK, and is entrenched in France and Germany.

He has taken "coals to Newcastle" by updating old American game-shows such as *Sale Of The Century* and selling them back to NBC. Now Reg is taking on a similar challenge by trying to export novellas to South America.

Grundy Worldwide, the master company based in Bermuda, controls 16 Grundy production companies around the world and makes between 40 and 50 hours of television a week. Rather than just licensing the formats, Grundy usually remakes programmes using the nationals of the country involved - "taking the kangaroos and koalas out" is how he puts it.

But ask Reg what the revenues of Grundy Worldwide are, or how much he is worth, and the answer is the equivalent of a game-show format he owns, *I Got A Secret*. Given the number of hours of television that Grundy produces it is likely that annual turnover is more than £100m, and as Reg owns 85 per cent of the private company it is clear that not all the glittering prizes are given away to the game-show contestants.

"He's a businessman who makes television by the yard," says William G Stewart, an admirer who produces and presents his own game-show on Channel 4, *Fifteen To One*.

Reg Grundy's first steps towards being a multi-millionaire were taken in Sydney where, in pre-television

days, he desperately wanted to get into radio. He succeeded, and in 1947 covered the cattle and pig prices at the Royal Easter Show for Radio 2GB. Then he became a sports commentator for Radio 2SM; he covered rugby league games, even though he barely knew the rules, and reported boxing matches, including a world title fight with the help of a *How To Box* book.

His breakthrough came as a result of a radio quiz programme he presented 20 hours a week called *The Wheel of Fortune*, a game not related to the present television show. He operated the wheel and had to relay the replies of the contestants himself because in those days broadcasting the other end of the conversation was forbidden in case someone said something untoward live on air.

Reg resigned - "15 seconds before I was fired" - for offering unsolicited advice to the owners on how their radio station should really be run. Unemployed, he approached Ken G Hall, an early power-broker of Australian television, and suggested turning the quiz into a TV programme.

"I was the producer, the host, wrote the questions, got the prizes and brought them in a station wagon. I didn't know what I was doing, I didn't know I was packaging programmes as an independent," says Reg. He became a businessman when he offered a second show to Australian television and found someone else to present it.

One of the greatest influences on Reg Grundy was another Reg - Reg Watson, a fellow Australian who had written British soaps such as *Crossroads*. "His contribution to my company cannot be measured," says Reg. Watson had the idea that you could make a drama out of ordinary people's lives; if there was a villain, it was life itself. In July they shot the 2,000th episode of *Neighbours*.

"It started slowly but it sent out an invisible signal to people out there to come and watch me and they did," says Reg who believes that one of the reasons why it is such a success with teenagers is that children and parents talk to each other in *Neighbours* and work out their difficulties and misunderstandings together.

"Happy endings are important, aren't they?" says Reg. Reg Watson also created *Cell Block H* about life in an Australian women's prison. No less than 894 hours ran in prime-time in Australia and elsewhere.

The Grundy method of producing soaps or serial drama - he believes soaps are slow-moving whereas serial dramas are much sharper, with higher scene counts and more humour - involves almost industrial-scale production. Enormous pre-planning and long runs means that five half-hours a week can be turned out at £40,000 a time.

Ask Reg Grundy why the BBC's latest turkey, *Eldorado*, failed and he points to basic flaws. It should never have been called that in the first place



and there had to be real doubts whether viewers would be interested in the lives of expatriates in Spain.

"*Neighbours*, *Coronation Street* - these people have to earn their living every day. I can understand the BBC not staying with *Eldorado*. I don't think the whole concept was appealing to the audience," says Reg.

He talks warmly about popular drama but gets animated about the arcane art of devising game-shows that work and appeal to the audience. "To create a game-show with enduring qualities is the hardest thing I know in the business. It's not that hard really to create a drama."

Altogether Grundy says he has produced more than 90 games around the world; some of them, more than 10 years old, are being recycled on Amer-

ican cable. Grundy is not a clown desperate to play Hamlet: he intends to stick firmly to the sort of television he knows best.

A gently-mannered man, Grundy comes closest to passion when talking about broadcasters who try to impose their taste on the public and by implication look down their noses at the sort of programmes he offers. "Life's tough enough for most people. They don't need being told what they should watch and what they should do," says Reg.

He controls his empire from his base in Bermuda. Apart from the tax advantages it is only 100 minutes by air to New York. In Bermuda he has his own beach. He lives there with his second wife, who is much more famous than him. As Joy Chambers

Grundy she appears from time-to-time in *Neighbours* as the character Rosemary Daniels. She has just published her first novel, *Mayfield*.

For Reg Grundy, creator of serial dramas and game-shows and recently listed in Australia for his services to television, it all sounds suspiciously like a happy ending. "I hope I haven't come to the end yet," says Reg, who plans to take his programmes to lots more countries where long runs, cost-effective production and ratings are important.

In recent years the bankers have started offering Reg his own pot of gold for Grundy Worldwide. Maybe one day he will sell, he says, reaching a little self-consciously for the title of another famous game show, not one of his own: "If the price is right."

# An insider looking out

**C**OTHERSTONE is one of those villages in the north of England that postcard photographers favour, and guidebooks tend to describe as "quintessentially English." The fast-flowing River Tees marks the village's northern boundary.

To the south and west there are the moors - wild, vast and dotted with isolated farmsteads. Barely five miles to the east is Barnard Castle, a charming market town.

A refugee from London, I came to Cotherstone three years ago. I liked it so much that I made a vow: no more wandering. From here it is straight to the crematorium when the time comes. I reaffirm the vow on my frequent walks, when I am moved by the rural beauty.

A friend had warned me that villages were clammy and gossipy. To my relief, I found Cotherstone to be neither. From early time the village has provided a point of contact for the hill sheep farmers of the dales, artisans, traders and professional people who have migrated there in increasing numbers. As a result, evolving social heterogeneity probably accounts for Cotherstone's welcoming character.

My own roots have been pulled out so many times as there are decades in my life. Yet here I feel at home as much as I am capable of feeling at home anywhere. It pleases me that a letter, however imperfectly addressed, would reach me so long as "Cotherstone" was legible on the envelope. I enjoy being greeted with familiarity as I walk through the village.

On a summer evening the village looks its best: haystacks in the fields, children playing, a mare grazing with her foal in a meadow. In the near distance, the spire of St Cuthbert's church pokes the sky.

I see a neighbour approaching with his dog, someone I had assumed was a native villager. But no, he tells me he is an incomer. "I've lived here for over 20 years and I'm still considered an outsider," he says. I recall an earlier chat with a woman who could boast of local antecedence from the beginning of recorded time. She had made a point of distinguishing herself from "outsiders." Were they trying to tell me something?

The question of identity has become blurred at village level, no less than nationally. "Quintessentially English" is now more evocative than descriptive. Like Britain as a whole, villages have changed; in many, outsiders often outnumber insiders.

My own credentials are modest but sound: I came down to the village from the high fall of

Baldersdale where I lived through two annual cycles of sheep farming. I made friends among the farmers of the dale. Such credit as I have earned filtered ahead of my arrival in the village.

The late William Golding, to my mind the greatest and most English novelist of our time, wrote in an essay about Wiltshire: "To be English - and more specifically, Wiltshire - is to speak English and be used to English ways, nothing more."

English ways? A very amiable gentleman-farmer whom I have befriended once took me for an afternoon of rough shooting on his land. I missed a rabbit. Fortunately, so did he. A ferret he brought along wandered off, heading for the brush. "Elon," he called, "get that ferret, will you." The nasty creature lunged, missing my hand by a whisker.

The farmer invited me to a dinner party. I parked my X-registration hanger where I should not have; I brought a bottle of wine, an unstylish, misplaced gesture (not the

*Elon Salmon, a refugee from London, adjusts to country life*

right wine at that); I wore an unsuitable suit because it was the only one I had; and, after all, I nearly tailed off with the ladies when I was meant to stay behind with the men to smoke and discuss the state of the world.

Not so long ago, the wisdom of the countryside had it that if you saw BMW, Mercedes or Jaguar cars lining the village green, it meant that the true village character was dying. Like many villages in the area, Cotherstone can field a modest motley of luxury vehicles. But, far from malignant, the phenomenon simply underscores the on-going change in British rural life.

I keep wondering by whom would my outsider neighbour of 30 years' probation, who presumably owns an up-market car, be considered an incomer when a good many of Cotherstone's present inhabitants have not lived here for nearly that long.

By what authority are the boundaries of the "outside" determined? Who will measure the putative period it takes for an outsider to become an insider?

In so far as these questions have significance, they surely touch upon the complex and universal business of assimilation - which, as Golding suggests, comes down to a voluntary act of will and individual temperament. In this spirit I would happily submit to learning Cotherstone's ways: some of them, anyway.

Summer Rites/Nigel Spivey

## A very British ordeal

**I**T IS better to marry than to burn, as St Paul says. But it is worse to marry and roast at the same time. At my own wedding, of fairly recent memory, temperatures outside the morning suits were spectacularly high. Perspiration levels inside the morning suits were downright unsightly.

Those of us who had crafted long and witty speeches watched helplessly as many in the audience melted away and threw themselves into a nearby swimming-pool. Later my wife, wringing out her sodden raw silk drapery, assured me that all was as it should be. According to her, the ceremony had to have something of the fiery ordeal about it: a test of body and spirit, from which we should emerge stronger.

She is right. Marriage as an institution may be getting statistically evanescent, but weddings are still taken seriously. And by choosing to pitch the ceremony at the height of summer, couples are compounding the chances of making it a serious test.

I have noted various strategies for building unpleasantness into the structure of a wedding. The first and most obvious is to hire a professional photographer. Usually a slovenly chap in shirt-sleeves, for no extra charge he will load his pockets with keys and small change so that he makes a substantial jangle as he bustles about at the altar, dictating proceedings far more authoritatively than the Book of Prayer.

He will do everything possible to embody that truism which Susan Sontag so neatly states in her essay, *On Photography*: "Having an experi-

ence becomes identical with taking a photograph of it."

As the cameras click and click, the coronation chicken nestles patiently at the reception. I am not sure for whose coronation this odious sauce of curried mayonnaise was created, but I wish it had abdicated from the realm of the British buffet. There must be an 80 per cent chance of having it at a summer wedding - along with a glass of some frothy beverage to slake the thirst. Drink it to the gods. It is part of the test.

The most subtle contribution to a difficult rite of passage comes from the church itself. Many couples

fondly suppose that they can fix up a picturesque ceremony in the same little village church - Saxon tower, yew trees, a lych-gate embroidered with roses - where the bride's mother took communion one Easter in the late 1950s.

They can, of course. But the local vicar knows transient custom when he sees it, and knows that God is not mocked by the photo opportunities of a floridly enhanced lych-gate. So he exacts a sort of vengeance.

He may arrange for bells to peal during the vows. He may pause over significantly when he asks if anyone knows why these two may not be legally joined together. He may

lengthen his usual homily on the sanctity of human relationships into a tirade against the prevailing rates of divorce and fornication.

The finest clerical revenge I ever witnessed, however, came from a Jersey priest. He had evidently decided that if he was going to surrender a pleasant summer's Saturday, he would do it in a grand way. He turned up staggeringly drunk, and so garbled the institution of marriage that most of the congregation came away doubtful if the couple at the front were indeed bound by wedlock.

A final note. Just in case anyone has managed to get through the ceremony lightly, and is licking his lips at the prospect of champagne not made out of elderflowers, there is a nagging hurdle to be raised. Make all the guests queue up to shake hands with the bridal contingent. If prolonged, this can generate a really effective, utterly unforgettable experience of pain and peevishness.

Despatches/James Geary

## A dictator's legacy

**T**HE FIRST things that catch the visitor's eye during the 45-minute drive from Albania's Rinas Airport to Tirana, the capital, are the countless pillboxes scattered haphazardly across the countryside.

Intended to defend Albania against invasion from the west, these domed concrete bunkers now serve as children's playgrounds. Strewn everywhere, the bunkers represent one of the perverse legacies of Albania's former dictator, Enver Hoxha.

The communist party exercised absolute control over every aspect of life and backed its policies with the clout of the Sigurimi, the secret police. Hoxha ruthlessly cut his country off from all contact with the outside world. As a result, Albania retreated to the furthest corner of Europe's collective unconscious - where it has remained.

Just 50 miles across the Adriatic Sea from Italy, Albania is, after Norway, Europe's most mountainous country. Its landscape is stark, imposing, raw, uncanny. The rugged coastline that fringes the Adriatic, from Durres in the north to Vlora in the south, is breathtakingly beautiful.

Still largely wild and undeveloped, Albania supports a population of some 3.5m, almost two-thirds of whom live in remote mountain villages where blood feuds and bartered brides are still the norm.

With the economy a shambles and war still raging next door in former Yugoslavia, Albania is unlikely to become a popular tourist spot any time soon, despite its natural splendour. Down the broad, dusty avenues of downtown Tirana, it was easy to see why.

Everywhere, I was confronted by graphic reminders of how Albania has fallen into disuse. Without exception, all the city's buildings are dilapidated: electricity and water supplies are interrupted daily, and donkey carts are still as numerous as cars on Tirana's streets. I was told of one rural hospital that had only a single light bulb, passed around as necessary, for

a total of eight rooms. Armed with an Albanian-English-German phrase book, I ventured into one of Tirana's nondescript book shops, keen to discover what foreign literature had infiltrated the country since democratisation. Two of the authors whose names were legible to me included Stefan Zweig and Graham Greene. Dashiell Hammett was also generously represented.

However, all these books had been printed before the country's Quiet Revolution in 1991, so that each bore the imprint of the censor. Out of curiosity, I asked the girl behind the counter for a translation of James Joyce's *Ulysses*. In a mixture of Albanian and broken English, she told me that a translation of *Ulysses* did not yet exist and that, formerly, even mentioning Joyce's name was liable to incur a minimum sentence of three years' clink.

She then ducked into a back room and reappeared waving a book with "Enver Hoxha" embossed in gold on the cover. "Hoxha, Hoxha," she sneered, then tossed the book onto a pile of old newspapers in disgust.

The next day I hired a driver to take me to Elbasan, about 90 minutes south of Tirana over treacherous mountain roads. As we negotiated astounding curves with seeming unconcern, I tried to focus on the gorgeous panorama: a phalanx of jagged peaks stretching to the distance. As we descended the mountain, I saw the city of Elbasan sprawled below.

Elbasan seemed to have tumbled down the mountainside and come to rest randomly. Its main thoroughfare, deeply worn and rutted, was flanked by a string of ramshackle huts from which everything from ice-cream cones to panty hose was sold. This

part of Albania was once its industrial heartland. But, like everything else, the mining industry had slowly ground to a halt because of lack of equipment and materials. All that remains is the vast, decrepit hulk of an abandoned factory and a few cows grazing among the ruins.

Back in Tirana, I heard of another aspect of Albanian patriotism. Over several glasses of raki, Marion Sabatti, my host in the city, told me how every Albanian was forced to become a master electrician. "Before 1991, it was strictly forbidden to receive foreign television broadcasts," she said, proudly displaying the confused jumble of wires that enabled him to receive, illegally, Italian TV transmissions. "But television was our only contact with the outside world. We watched communism fall in Romania on Italian TV and knew that the same thing was going to happen here. We just didn't know when."

After all religious institutions were closed in 1967, Hoxha often boasted that he had created the first true atheistic state. But on the afternoon of my departure I heard the muezzin's call to prayer resounding once again from Tirana's mosque.

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TRAVEL

# Hopping about in the sun



By ferry from Carriacou

**I**T WAS A bouncy landing. A difficult one, granted, but bouncy, and in a 19-seater that can be a bit alarming. Still, if the aircraft and passengers shuddered a little, the pilot was unfazed. Applying reverse thrust with a flourish, he piped up on the intercom with an almost audible smirk: "Ladies and gentlemen, we have just landed... for the third time... on Mustique. Please remain seated, etc. I hope you enjoy your stay and take the opportunity of flying with us again."

Island-hopping is one of the great pleasures of the Caribbean. Each island has a different, distinctive feel. You might be lucky and find one that captivates you for ever - often this is a thing you know instinctively, almost the moment you put your foot on the wharf or the airport tarmac. It is easy to get from one island to the next now, and combining islands can make a more satisfying Caribbean stay.

An hour on a yacht can take you from a busy city waterfront to a deserted strip of sand and palm trees while a short air-hop can link tropical France, replete with chic restaurants, with a slumberstruck cay. If you style yourself a traveller, getting from one place to the next in tiny aircraft and leaky local boats can be part of the fun.

Islands are really best approached by sea. You get the measure of them, as they grow from a grey stain on the horizon to a steep-sided, forested colossus looming over a tiny settlement. And there is a time-honoured feel in cruising into a busy wharfside, so rarely experienced now because of air travel. The Grenadines, of which Mustique is probably the best known, are particularly good for island-hopping by boat because

there is a large number of islands within such a short distance of one another.

You may choose to travel by gin palace, but there is a lot to be said for taking the local mail-boat, the *MY Snapper*, named after a Caribbean fish rather than the over-large island mosquitoes. The *Snapper*, an old Norwegian ferry, works its way along the island chain twice a week, carrying provisions, building materials, soft drinks, livestock and - presumably - mail. I arrived at dawn and boarding was in process. The scene was of theatrical and

but they are easy-going and extremely welcoming. Mayreau is so small and isolated that electricity has not yet reached it, but you can play dominoes by gas-light, or sit on Dennis's wooden veranda while he plays the guitar.

Arrival in Mayreau is a novelty in itself because there is no pier big enough even to take the *Snapper*, so I had to clamber down into a coracle-sized lighter along with crates of Coke and the poor old goat in his sack. He was lucky, though: travelling cattle are simply driven off the side.

The Grenadine Islanders have long

Carriacou has an easy airstrip in that it is straight and flat, but occasionally you will find that the pilots make a pass before coming in to land, in order to buzz cattle that are wandering on the strip. You might be surprised to see cars beeping across it too - the island's road borrows the tarmac for a while.

The little island-hopping aircraft, many of them Twin Otters, are jokingly known as the island bus service. You cannot quite hitch a ride, but you will find that if there is nobody to pick up or set down at a particular stop, the aircraft simply flies on by. Certainly you should not expect a direct flight en route to your destination; you might touch down at five or six airstrips, each of them a different country.

Flying in this manner has an intimacy with the elements that you don't experience in a Jumbo. Taking off is entertaining. Landing is another matter. There is a pecking order of airstrips around the islands (Mustique rates in the top 10). The second most hair-raising landing strip is on chic St Barts, in an area aptly named the Plaine de la Tourmente. The problem here is that there are hills exactly where you would hope the pilot would make his approach - at both ends. The result is best described as a banana run-in, close enough one end to pick the flowers and the other to read the car-drivers' T-shirts.

But most fearsome of all is Saba, a tiny forested pimple in the Leeward Islands. The airstrip is set on Flat Point (hardly flat, but the nearest thing Saba has to it). It is 400 yards long - shorter than most self-respecting aircraft carriers - and there is a 100ft drop into the sea at either end. It makes Heathrow seem quite boring.

## James Henderson with a sophisticated's guide to inter-island Caribbean travel

demonstrative West Indian chaos.

I made for an empty seat and found myself next to a goat wrapped in a sack; only its head protruded. It cocked its eyes at me occasionally, appealing to me in its bemusement and panic.

It is an hour's ride to Begonia, where you put into a charming waterfront in Admiralty Bay. Begonia is perhaps the perfect pretty Caribbean island - all the prettiness of a coastal Cornwall village transported to the tropics.

Past the T-shirt sentry, with her wares slung between the trees as though it were washing day, you come to a waterfront path where lazy bars in old (some new) wooden houses are hidden among the frangipani.

But this time I headed on for tiny Mayreau, where there is lazy island life of a more West Indian kind. Life is hard for the 180-odd islanders, who are fishermen or work for the government,

been ship-builders. The master-builders were from Carriacou, an island to the south of Mayreau. Getting there took a ride in a puttering outboard with a studiously silent lobster fisherman and then a hop by local sailboat, but it was worth it. Carriacou has an enchanting, sedated air, with superb coves and a string of easy-going bars. Here you can try out the local rum, jackiron. It is extremely strong and has the curious quality of making ice sink.

The ship-building industry has declined now, though there are still a few hulls taking shape on the water's edge. As well as boat-builders, the Grenadine islanders have long been smugglers. Boats from Carriacou travel as far north as Sint Maarten in the Leeward Islands, where they pick up goods imported directly from Europe: wines, export beers, washing machines and other white goods.

**T**RY, YOU tireless travellers, to define what is meant by "a sense of place." Is it a view, a sound, a smell, a state of mind? Poets describe it, musicians too - and, of course, painters who work out of doors.

In a walled garden in the west of England, with a wooded slope of the Quantock hills behind him and the Bristol Channel invisible below, the painter David Imms is as attached to bits of the English terrain as any Aborigine to his song-line.

He was born in the near north and lives in the east Midlands. But it is to the south-west that he goes to paint: bodies in the landscape, bodies as part of the landscape, bodies fertilising the earth. After a week on the millstone grit of Yorkshire he is grinding his teeth. "I

think I am happier on chalk soil", he said in the matter-of-fact way of one stating a preference for, say, Bournemouth over Bridlington.

And he is right about travelling west. There is some primitive urge which is satisfied by following the path of the sun. As you race down the motorway the grease and smoke of London are sloughed off, the sky expands, the light and the air turn softer, the colours richer. The sea is perceptible long before it becomes visible, and at sunset the clouds pile dramatically above it to compose the mythical land across

the water: Tir-nu-Og.

In this walled garden in the west, part of the Alfoxton Park estate at Holford in north Somerset, the sense of place is overpowering. It is a warm enclosure of reddish earth and brick, quartered by box hedges and planted to bursting with vegetables, flowers and fruit. It is alive with flying and crawling creatures not seen since the pre-chemical age. "Organic" is the word they use, but the word is too sterile.

The Mad Hatter of *Alfoxton in Wonderland* protested that to see what you get is not to eat what you see.

In this instance the Hatter's logic is faulty: you may see (or paint) your enshrine in the morning and eat it that night. Around the garden five other attendants of the dinner table: the Large Black pigs (Pavarti and Domingo) behind the barn, chickens in the run, goats beside the driveway and sheep grazing among the deer in the bracken above.

The landscape of Alfoxton Park inspired the early Romantic poets. Wordsworth lived there in 1797-1798 with his sister Dorothy. At the same time Coleridge occu-

pled a cottage in Nether Stowey, three miles away, with his wife and children. Their ghosts have in turn become imprinted on the place.

According to Dorothy, it was on one of their night walks that the *Rime of the Ancient Mariner* was conceived and it was in one of the penellied rooms at Alfoxton that Coleridge five months later recited the finished work to his friends. Here, too, the poets collaborated to produce *Lyrical Ballads*.

Dorothy was an indefatigable diarist of Nature's effects in this corner of England. Her words, as well

as suggesting images to the two poets, convey their own innocently unsensitized sense of place.

"April is a very high wind", she wrote. "Coleridge came to avoid the smoke [she means, presumably, of poor Sara's cramped kitchen]; stayed all night. We walked in the wood, and sat under the trees. The half of the wood perfectly still while the wind was making a loud noise behind us. The still trees only gently bowed their heads, as if listening to the wind. The hollies in the thick wood unshaken by the blast; only, when it came with a

greater force, shaken by the rain drops falling from the bare oaks above."

Rebuilt in 1710 on much older foundations, the house is now a hotel of creaking floorboards, modest comfort and somewhat shabby decor; but it is privately run, has an immensely family feel to it - and wonderful English cooking.

A sense of place can be learned by walking. But, as Dorothy says, it has also to be learned by sitting and looking. This seaward slope of the Quantocks handsomely repays a week-end's reflection. ■ Alfoxton Park Hotel, Holford, Bridgwater, Somerset, TA5 1SG. Tel: 0278-741211. Dinner, bed and breakfast: £48 per person (b&b only £28; two-day breaks £43 per day). Painting weekends (check availability): £180 pp. Literary weekends: £120 pp. Closed December to March.

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## HOW TO SPEND IT

# US mix to tempt the British palate

Lucia van der Post enthuses over a new furnishing store

**W**HEN IT comes to home furnishings shops, Jeremy Sacher, chairman and chief executive of Jerry's Home Store which opens on Monday, believes that size and proportion matter deeply.

"Too large and it is hard to retain a sense of identity and personality; too small and you cannot give people enough choice. After much thought I have come to the conclusion that the 5,500 sq ft we have here is just about right."

So there it is, 5,500 sq ft of brand new home furnishings, all on the site of the old Paperchase shop which stood on the corner of the Fulham Road and Pond Place.

Loosely based on US ideas and informality, Jeremy Sacher, who had spent years working in the family business - Marks & Spencer, in case you wondered - had come to the conclusion that no-one in Britain had quite the mix that stores such as the American operation, Crate & Barrel, were offering.

Anyone who has ever drooled over its products, as I did in its Houston branch, and marvelled that so many simple, clean, well-designed goods could be offered at such attractive prices, has to agree.

"What impressed me about Crate & Barrel," says Jeremy Sacher, "is its wide appeal. Strolling through the aisles, filling up their baskets, you see some of the best-heeled and some of the less well-heeled people in town." In other words they are united by an approach to life more than by income.

Not that Jerry's Home Store is another Crate & Barrel. "What we have tried to do is to choose things which will fit in existing homes. We are not trying to do another Habitat."

"Habitat is still fundamen-

tally about furniture whereas we are the reverse - we will mainly be selling home furnishings, glass, tableware, accessories and cookware along with some furniture."

"We aim to be moderately priced where we can be - and I believe in our glassware and tableware our prices are second to none - but where we have to be more expensive, as in the furniture, we prefer to charge more and sell quality, rather than lower our standards."

The result is a store with a

clean, airy slightly transatlantic feel - "Nantucket, rather than West Coast" - and a mass of really attractive merchandise that ought to appeal not just to first-time home owners (although it will, I think) but also to those whose homes and tables need a little freshening up.

The glassware is outstanding - tumblers at £1.95 each, champagne flutes at £5.95 which look like versions selling at £25 a time elsewhere, blue tumblers at £3.95 each, large white wine ones at £11.95 each.

Tableware ranges from the fine East Hampton porcelain photographed here to inexpensive sponge-ware at £2.95 a plate and even less expensive earthenware at £1.95 a plate.

A 20-piece set of a particularly charming blue and white wine and grape design sells for just £35. The cutlery, for those whose families have failed to supply them with heirloom silver, is charming - ivory-coloured resin-plastic handles and soft, rounded shapes and at just £4.50 a time for the main pieces, £3.50 a time for the teaspoons.

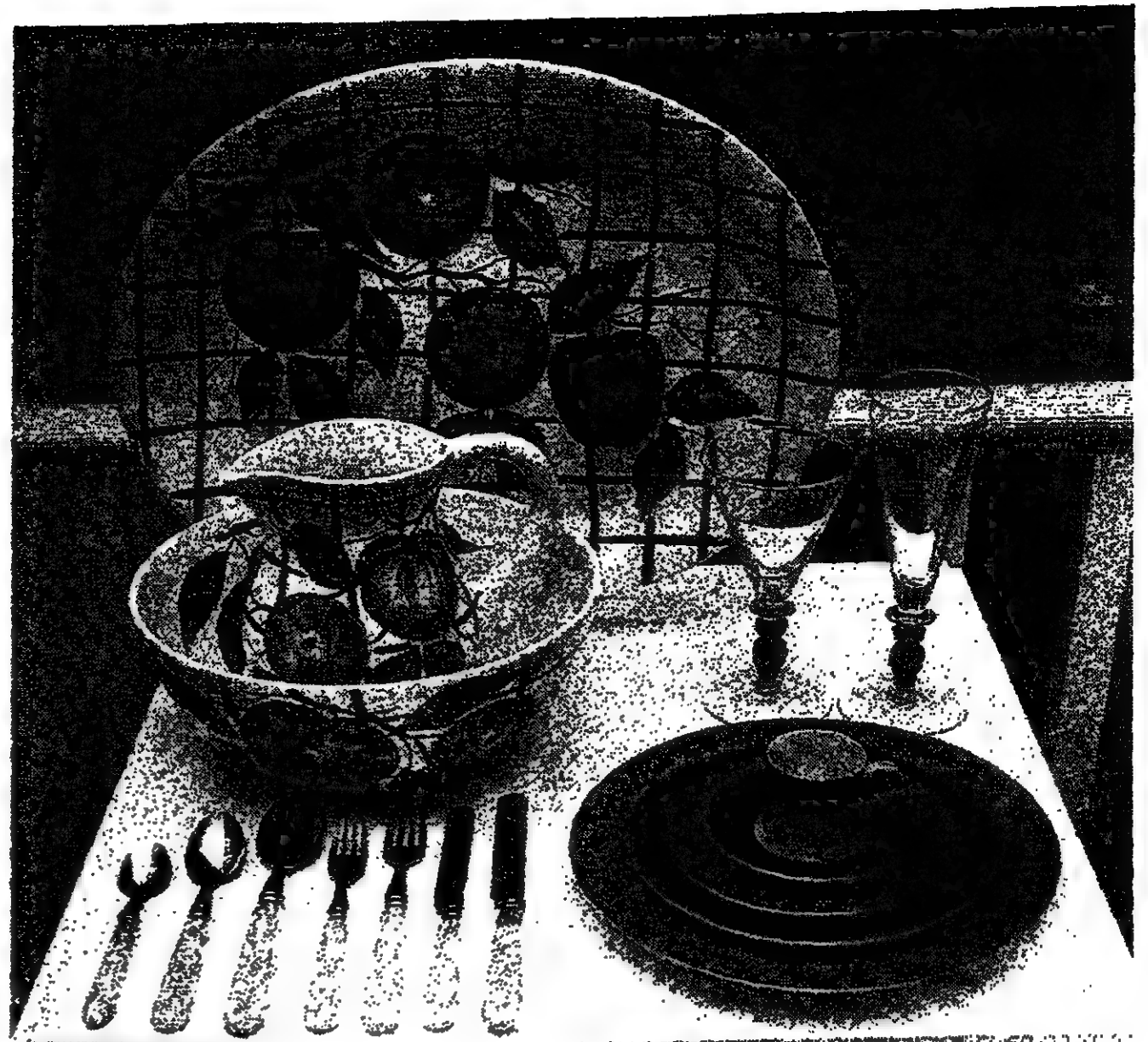
The kitchen section is outstanding - really sturdy serves and colanders, a small but beautifully chosen range of saucepans, a collection of maple wood products from Vermont (carving boards, breadboards, salad bowls) and some enticing foods.

Look out for pots of dipping chocolate (white or dark), for Running Deer Ranch marmalade, for Sarabeth's preserves, for dips from Texas, for Koussimichoff's of Paris fragrant teas and for the Williams-Sonoma range of cookbooks on a theme (pasta, chicken, pizza etc).

Then there is the furniture. Here, it has to be admitted the prices do not bring such a lift to the heart, but on the other hand the quality and desirability levels are high.

The huge, squashy, slightly over-sized furniture exudes exactly the air of inviting comfort that upholstered furniture should. They come covered in a selection of Waverly Fabrics which range from the sweet prettiness of gentle chintzes and toile de jouy to cool checks and stripes. Sofas range from £875 to £1,350 (without the covering fabric), chairs from £235.

The rest of the furniture consists of two main collections. There are some simple maple wood pieces - a sturdy rectangular table, either for the kitchen or dining-room, some



From the Washington Red earthenware range, a large serving platter, £45, a jug, £37.50 and a deep bowl, £38.50. The East Hampton porcelain comes in three different colours navy blue, red and green, trimmed with gold. Dinner plates are £12.50, cups and saucers, £13.95, side plates, £5.95. The French cutlery with resin-plastic handles is £4.50 for any pieces except the teaspoons which are £3.50 each. The Marion glasses with blue and red bobbles in the middle of the stem are £7.50 each.

good chairs and side tables.

Adding charm and a touch of nostalgia to the whole is a sweetly traditional range of French pieces from Provence - here are the buffet deux corps (because it comes in two parts), the armoires de Luberon, the casseliers, the chairs and tables and sideboards which grace the homes of the bourgeoisie with breeding and taste.

The furniture is stained in a range of gentle colours - soft green, grey, blue and terracotta - and can only be bought to order. Prices it has to be said are high, but then these are really craft pieces. All are beautifully finished and the length of the finishing process involves four different treatments. The armoire is £1,250, the armoire de Luberon, £1,450, the buffet deux corps, £1,585.

The overall look of the store is eclectic and undidactic. Things have been chosen because they please the buyer's eye and have a use and a place in the modern home, not to fit some given design ethic.

There are things that are cool, streamlined and unaggressively modern but then too there is the old-fashioned charm of the

stained French furniture and the easy comfort of the over-sized upholstery.

Somewhere in there is something for almost everybody. Only the most determined traditionalist or aggressively fashionist design group would come away from a visit empty-handed.

Jerry's Home Store opens on Monday at 163-167 Fulham Road, London SW3.

## Fashion at first-hand

Lucia van der Post knows how to find fresh, unsullied design

**T**HOSE OF us who are privileged to see the work that many of our young fashion designers produce are accustomed to the praise, the accolades, the excitement that surrounds their college shows but are inured to the fact that what we have seen on the catwalk seldom sees the light of day.

Somewhere along the line the ideas are watered down, the manufacturers fail to follow up the fine words with solid orders and the students in question usually disappear into foreign workshops or the large industrial combines.

If you have ever wanted to buy fresh, unsullied designs,

straight from a student's portfolio, now is your chance. Simpson of Piccadilly, which starts a Best of British promotion on Monday, until September 25, will be showing (and selling) the work of four young graduate designers throughout the promotion.

In February Simpson invited colleges all over the country to submit the work of their best students. A panel of fashion experts then sifted through the entries looking for collections that would interest, inspire and, of course, be wearable and thus sell.

The four students eventually chosen were overwhelmingly the most popular choice. Two came from the Royal College of

Art - Pearl Walton, with a wonderfully romantic collection for women in velvet and suede, and Tim Voegela with a chunkily masculine collection of tweeds and checks for men. Karen Heverin studied at Ravensbourne College where she created a Red Indian inspired collection for women - all lean, long lines in brown, navy blue, rust and white.

Hema Mandalla studied at Nottingham Trent University and has produced a collection of soft, tailored menswear in (mainly) gentle neutral shades, although if there are any men out there who have been longing for a winter coat in powder blue now is their chance - Hema Mandalla has made one.

Sifting through portfolios is relatively easy. Getting the clothes to the shop-floor is quite another. Simpson had to organise the manufacturing and the students remained involved with manufacturers.

The results are there to be seen in Simpson and very colourful and desirable they are, too. Pearl Walton's collection has been built around the theme of the "Butterfly Ball" -

the "Butterfly" design appearing on velvet bodices, silk shirts, scarves, suede jeans and some marvellously sassy high-heeled ankle boots. Pearl Walton's father, Steve Walton, an expert in photograph printing, photographed peacock feathers and butterflies which were then screen printed on to fabric. The result is a rich and colourful collection.

The men's collections are well worth a serious look. Tim Voegela has mastered that difficult art of making men's clothes that are interesting and innovative and yet are indubitably for real men. They exude a highly attractive chunky masculinity.

While it is well worth visiting Simpson for the fashion alone, there will be lots more to see. In conjunction with Country Living magazine there is a range of British craftwork to look at - rocking horses, hand-knitted jumpers, hand-painted furniture and the like - while on the ground floor there will be designers and craftsmen from The Princess Youth Business Trust selling and showing their wares.

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# FASHION

JUST BACK from the costa or the plage with the feeling that this year your swimwear lacked a certain *je ne sais quoi*? Somehow it didn't convey quite what a splendid fellow you really are? Somewhere along the line it seemed to miss?

It is hard for those who spend most of the year in offices and bundled up against the weather to get it right for the few glorious weeks when the sun shines and limbs are bared. But swimming these days is more than just a holiday pastime, for some it is an all-year-round means of keeping fit. Here Christopher S. Brown helps to make sure you get it right...

SOME BATHE, others swim. Bathing requires little effort, is purely pleasurable and often takes place on holiday in hot places in saline solution. Swimming is different. It usually takes place in pools, can be a year-round activity and is one of the best forms of exercise for overall fitness.

Sometimes in pools, there are clashes between serious swimmers and pleasure-seeking bathers, who often mistakenly believe they are swimming.

To enjoy either aquatic pastime you do not need to spend a great deal of money. Unless you are going to a nudist beach or are joining a swimming club all you need is a one item of clothing.

The choice is simple - it lies between trunks or shorts. Trunks give the wearer the "I know how to swim look" while shorts seem to say "I'm out for fun."

When buying, choose a pair designed for swimming rather than sun bathing and avoid some of the paler colours which may become transparent when wet. Trunks are available in so many jewel-like colours that you are bound to find a colour that suits you. If you swim regularly it is important to remember to rinse your trunks each time, otherwise chlorine will eventually perish the fabric.

Look out for the tall-tale white threads, a warning signal that it is time to buy a new pair.

Most specialist sport shops now stock swimwear throughout the year - Olympus, First Sport, Lillywhites and Sports Locker are worth visiting. All stock Speedo products (perhaps the best-known swimwear company of all).

Sports Locker sells a variety of names that are less well-known in this country including Gaselle, a New York brand, and L.A.S.C.,

Above right: Speedo swimming cap for serious swimmers. In 100 per cent latex, in 14 different plain colours, £1.50. Worn with Speedo anti-fog goggles, £11.99. Both from Olympus.

Above left: Ultra Swim shampoo, £2.75 from Peter Jones, Sloane Square, London SW1. Dark green fine ribbed trunks with yellow piping by L.A.S.C., 90 per cent nylon, 10 per cent lycra, £28.99 from Sports Locker. Also available in other two other colours.

Opposite, from left: Speedo trunks, 80 per cent polyamide, 20 per cent elastane, £12.99. Olympus. Speedo Magic Shorts, 65 per cent polyester, 35 per cotton, £14.99, Olympus. Bermuda shorts with button print, in 100 per cent cotton, £30. Also available in beach short length, £25. From Paul Smith. Striped shorts in 100 per cent cotton by George at Asda, £7.99. Aqua trunks in 55 per cent cotton, 35 per cent polyester, 10 per cent lycra, by L.A.S.C., £24.99 from Sports Locker.

unique to Sports Locker, which produces excellent cotton/lycra mix trunks, more expensive than Speedo but certainly worth the extra.

Shorts do have one real advantage over trunks - they are kinder to those whose figures are in dire need of exercise and will give the wearer more confidence when the time comes to take the plunge.

Although it is now early September, and many of the fashion shorts have sold out, more and more shops are realising that swimwear is year-round business. Winter holidays in the Caribbean and the Far East and the popularity of cruises mean that swimwear departments no longer automatically shut when the summer holidays are over.

If you are looking for swimwear

now your first stop should be Paul Smith, which is still selling 100 per cent, black, cotton shorts in bermuda and beach lengths and in beautiful photo-print designs.

Next might be a visit to the sports shops. Sports Locker has its own brand shorts in nine bright colours and Olympus sells shorts in which the Speedo logo appears only when the shorts become wet.

An even greater surprise, however, is at Asda, where the George Davies collection includes stripes, stars and spots at reasonable prices.

If you do start swimming regularly then both your eyes and hair will need protection. Goggles will save your eyes looking as though they have permanent conjunctivitis and a swimming cap

and the use of a shampoo such as Ultra Swim will stop your hair feeling like straw.

Stockists: Paul Smith, 41-44 Floral Street, London WC2. Sports Locker, 17 Floral Street, London WC2, and 53 Farnbridge Road, London W11. Lillywhites, 24 Lower Regent

Street, London SW1. First Sport, Whiteley, 151 Queensway, London W2 and Shopping Centre, Brent Cross, London NW4. Olympus. Tel: 071-409-2619 for list of stores. Peter Jones, Sloane Square, London SW1. Asda. Tel: 0833-435435 for list of stores.

## The easy way of shopping

WHEN THE catalogues start falling on the mat like autumn leaves it must be... well, nearly autumn. Fatter and faster they are coming as mail order goes booming on.

Those who enjoy shopping by mail, and ordering their entire autumn wardrobe in one fell swoop, might find the new Next Directory just the job.

Whether you are looking for a pair of silvery earrings, some striped socks, a casual shirt or a charcoal grey sweater, the Next Directory will have it.

In size and titillating look it is rather like the bumper catalogues of old - fat, comprehensive and not all that discriminating. As it has increased in size, it seems to have lost its strong identity - here is something for everyone rather than a collection aimed specifically at Next man or woman.

Nevertheless, most of the essentials of the winter wardrobe are there: from pinafore dresses to crepe fishtail skirts and sweetly-fitted cardigans - the delicately knitted version at £39.99 looking to be a winner. Baby Next is coming along nicely, too, with all manner of cute items for the toddler set.

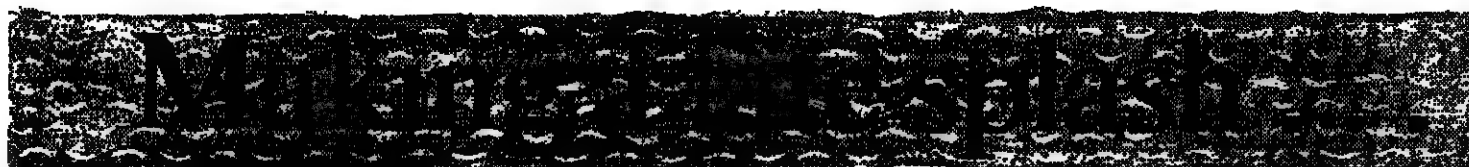
All the catalogue basics, from socks to bodices, seem excellently priced. Ring 0345-100500 for details.

If your tastes run to smaller, more edited catalogues, then look out for Kingshill.

Launched earlier this year with a small collection of British designer labels (Caroline Charles, Paul Costelloe and Amanda Wakeley) two new names have been added for autumn - Georgina von Etzdorf (every fashion editor surely has a von Etzdorf scarf) and Belville Sassoon (for evening wear).

For a copy of Kingshill, The British Designers Collection, tel: 0494-590535 or fax: 0494-566803. The cover price of £4.50 is refunded against the first order placed. Be warned, though, that designer label prices are altogether different from those at Next.

Lucia van der Post



## DAKS WELCOME BACK

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## FOOD AND DRINK

## A charge card with a difference

Nicholas Lander looks at a pioneering approach to restaurants and their customers

**I**N A low-key press release that may have enormous benefits for chefs, restaurateurs and restaurant-goers throughout Europe, Transmedia Network, based in north Miami, Florida, announced its first overseas licensing agreement and the opening of Transmedia Europe's office in London's West End.

The office will be opened on Monday by Edward Guinan III who spent the first half of this year raising capital to buy the franchise and to establish the company in the UK. During meetings with merchant banks in Manhattan and London which have raised more than \$4m (£2.6m) for this venture, Guinan told me my articles on "Lunch for a Fiver" had been in his briefcase and helped convince potential investors that British restaurants may be ready for Transmedia.

He provides this additional custom through a scheme which enables regular diners to obtain a 25 per cent discount at restaurants which join his scheme. The incentive for the restaurants is an offer of interest free loans. These are

repaid, not in cash, but from the extra revenue generated by the diners on Transmedia's list.

The company was conceived by its chairman, Melvin Chasen, as a media barter business in New York in 1984. After years in the restaurant trade, he realised that although restaurants can be busy, popular and profitable, they face difficulties raising money from the more usual lending sources, such as banks. Even in a recession restaurants can secure initial funding in the way short-lived musicals attract "angels"; but many restaurateurs can offer little security for capital to buy equipment, to redecorate or to advertise.

Transmedia's way of ensuring that its loans are repaid with profit is to exchange its cash for food and beverage credits (called rights to

receive) of double the value of the amount advanced. These credits are repaid by the diners on Transmedia's list who are persuaded to go to the restaurant by the discount.

Suppose for example that the Happy Trout restaurant received \$50,000 interest free for kitchen improvements. It would exchange this for £100,000 worth of food and beverage credits which Transmedia would sell to its customers, each of which is issued with a special card.

These food and beverage credits are used up and repaid by Transmedia cardholders. Having advanced \$50,000 to the ABC restaurant, Transmedia receives, via the credit card payments, \$75,000 (£100,000 less 25 per cent), ensuring for the company a gross profit of £25,000, a highly respectable gross margin of 33 per cent and a 50 per cent return

on invested capital. For the cardholder, the saving is 25 per cent on restaurant bills.

Transmedia then becomes an advertising medium for the restaurant, adding the restaurant's name, address and telephone number to those already on its books.

**T**here are nearly 2,000 restaurants listed in New York, Boston, Florida and Philadelphia and franchised areas in New Jersey, Chicago, Washington DC and California.

In America, the minimum advance to a restaurant is \$2,000, the largest so far has been \$600,000. It will not advance cash for restaurant openings but its staff evaluate applicant's risk factors: location, capacity, pricing and style of cook-

ing.

The company's own charge card (called The Restaurant Card) costs diners \$50 a year. There are no restrictions on how often the card can be used and the net amount is billed to the diner's Visa, MasterCard or Discover Card.

The only restriction on the card's use is on reservations for tables of six or more, which have to be booked via Transmedia.

Back at HQ, a small staff monitors the sophisticated computer software which handles up to 70,000 credit card transactions, tips and tax rebates a month. It also monitors how quickly each restaurant is repaying its loan via reclaimed food and beverage credits.

Once signed on, the restaurateur must remain with Transmedia for a minimum of a year even if the cred-

its are repaid earlier. After that the restaurateurs can choose to take out another loan, and therefore stay on Transmedia's restaurant list which now goes out to more than 170,000 cardmembers.

Transmedia's success hinges on timing - it received a huge burst of applications after 1988 when the recession began to affect the restaurant trade. The originality of the concept and the substantial discount it can offer card members who supply its revenue (it has only begun to tap the corporate market, signing up 5,000 Chemical Bank executives) have also been crucial factors.

The real strength of Transmedia's operation lies in Chasen's understanding of the restaurant business and his ability to buy extremely competitively but still leave his sup-

pliers, the restaurants, with a small profit. Most restaurants aim to operate on a food and beverage cost of 40 per cent or less. His aggressive buying still therefore leaves the restaurateurs with a reduced profit to repay the company's advance. The extra business The Restaurant Card brings sweetens the pill and Transmedia's newest ventures into marketing links with airlines and a division that will combine its participants' food purchases to obtain savings and group insurance should ensure the restaurants' loyalty.

After eight years Chasen and Transmedia are an "overnight success" and the darling of various stock market analysts in America (the company has been listed in BusinessWeek's top 100 Hot Growth Companies for the third consecutive year). He met strong opposition at first and I fear that British restaurateurs will react similarly. But this is one American marketing concept that I hope becomes a success in the UK.

Transmedia Europe, 11 St James Square, London SW1 4LD. Tel: 071-229 5134, fax 071-221 1514.

## Lo's life and times

**C**HINESE restaurateur and cookery book writer Kenneth Lo is 80 this month and September also sees the publication of his autobiography: *The Feast of My Life* (Doubleday, £19.99, 216 pages).

I was surprised to learn that Lo had had such a varied career before he turned to the kitchen stove: scholar, tennis player and consular official. This book contains some choice episodes from his life.

In particular I enjoyed his brief appearance at the Berlin Olympics in 1936 when he stayed at a Chinese restaurant in the Kaiserstrasse; the years of poverty in Cambridge, where he learned to eat cheese, and the destruction of the city's only Chinese restaurant by a direct hit from a German bomb; and his work with Chinese sailors in Liverpool where he was able to quell a race riot by sitting the local West Indians down to a Chinese meal. The passage which touched me most, however, concerned Lo's return to China after 64 years to find his patrician family reduced to poverty by the cultural revolution.

Lo has been poorly served by his editor. This book contains an intolerable number of spelling mistakes and some nasty English.

Presentation is one of the strong points in Nigel Buxton's *Walking in the Wine Country* (Weidenfeld & Nicolson, £20, 250 pages). The book is filled with some ravishing photography by Glyn Williams and Buxton's writing is often a joy.

For me it was more a book about walking than it was about wine: Buxton is a hesitant wine writer and generally contents himself with citing his favourite authorities on each area, rather like some medieval theologian invoking the Fathers of the Church. He also falls into a French-sprung trap about Alsace. Alsatian is not a French dialect as implied here, but a German one, similar to Swiss German. Nor was Alsace annexed by "the Prussians" in 1871, it became a *Reichsland*, a part of the new German Empire.

I most enjoyed Buxton's descriptions of meals and, by the end, I had an abiding vision of a man either relaxing beside a hotel fire with a large glass of cognac in his hand, after a long hike, or sitting at the top of some hill with a picnic lunch and a bottle of wine.

My complaint about this book is that it is misleading. I lived in France for seven years and I think I know the people. The French do not understand eccentricity and the sight of a lone man walking across private property with a bottle in his hand is more likely to make them suspicious than to excite feelings of hospitality.



Glyn Williams's view of Riquewihr, from Nigel Buxton's 'Walking in Wine Country'

If, on the other hand, you are a journalist with a story or even a book to write, a French winemaker's attitude can be wonderfully expansive. The dogs seem to speak the true voice of France in this book: "hideous, unrestrained" - the Dohrmann in Chagny. They never fail to bark and snarl at his approach. So far as Buxton's sugar-sweet, French people are concerned: he has either been unbelievably lucky or he is pulling our legs.

Antony Worrall Thompson is something of a walking publicity machine, so it might come as a surprise that it has taken him so long to want to squash his wisdom into covers hard or soft.

Now, with Malcolm Gluck of *The Guardian* newspaper, he has produced *Supernosh* (Faber & Faber, £7.99, 221 pages), a collection of his favourite dishes with notes on what wines to serve with them.

I must confess that I am not over-impressed by Worrall Thompson. I have eaten a number of meals which he has cooked and even more which were served in his restaurants. One of his signature dishes is a plate of lamb shanks with mashed

potatoes. At Bistrot 190 I had to send this back as I was unable to get a fork into the lamb. Out of interest I tried the same concoction in his newer, Del Uno restaurant some time later and found the lamb equally unappetising; but that was nothing to the mash, which had

## Giles MacDonogh takes a critical look at four new food books

been liquidised and had the consistency of glue.

I mentioned this second bad meal to his personal assistant who insisted I come back; that the problem had been caused by staff problems etc. I had the same dish and the PA was forced to admit that it suffered from identical faults. I was obliged to console myself with one of Worrall Thompson's "one-pot" dinners.

This book might have been excusable if it contained recipes, but it does not. It is a collection of jottings containing advice on how to prepare the sort of pseudo-Mediterranean food advocated by Worrall Thompson. In a number of instances he implies that the dish is too difficult for readers to make at home and that they should therefore simply go to one of his restaurants and eat it there. Hum: need I say more? Nor can I say I am wholly convinced by the wine matches. There are a few useful rules about what wines to serve with food and Gluck simply abandons them.

On the other hand, if you are buying wine at the supermarket some of Gluck's recommendations will be of interest. For this is the field he has made his own. In this case I suggest you buy his book *Superplank* (also Faber).

In contrast to *Supernosh*, *Good Pub Food* by Susan Nowak (Camra Books, £9.95, 339 pages) is a really useful book. I was grateful to the author on a recent visit to touristy Broadway in Worcester, for through her guidance I found the Crown and Trumpet with the whole some food, good beers and friendly service. Anyone who gets out to the English countryside should possess a copy.

Appetisers  
A new Arran malt

**I**T IS not every day that a new malt whisky distillery is set up in Scotland. Indeed, one sees far more of them being mothballed or even demolished. It is therefore particularly brave of Harold Currie, former managing director of Chivas Regal, to want to set up new stills on the Isle of Arran, a Hebridean island between the Mull of Kintyre and the Scottish mainland. There will be no malt bottled before the year 2001, but for anyone interested, bonds may be bought at a cost of £450 each. These entitle you to a case of Lochranza blended whisky 1996 (containing whisky from the new distillery on Arran) and a case of the real thing in 2001. Inquiries to Isle of Arran Distillers. Tel: 0289-53282. Fax: 0289-54177.

Giles MacDonogh

**M**ICHAELMAS goose is back on British menus. Last year, a fair number of *Weekend FT* readers were tempted to savour the pleasures of autumn goose, considered traditionally to be even finer than goose at Christmas.

This year Goodman's Geese is rearing 400 birds which should be ready for the table in late September and October. What is more, Mrs Goodman has agreed once again, if so requested by *Weekend FT* readers, to cut the necks of the birds in a manner suitable for making goose neck pudding. But this offer applies only to advance orders for Michaelmas birds to be collected from the farm or despatched by overnight delivery in September and October. Later in the year, she will be too busy coping with Christmas orders to prepare goose necks in this way.

For a copy of my recipe for goose neck pudding, write (enclosing s.a.e.) to Louise Gordon-Foxwell at the *Weekend FT*. Inquiries and orders to Goodman's Geese, Walsgrove Farm, Great Witley, Worcester WR2 6JJ. Tel: 0299-896272. Philippa Davenport

**I**T ALL BEGAN in my house with Gais, Gais Royal and Braeburn from New Zealand. All three eat well and are useful for tiding apple addicts over between one British apple season and the next. My objection is the sticky name-tapes worn by each and every fruit. It is a nuisance far worse than refrigerator magnets. Magnets may multiply overnight but at least they know their place. Apple stickers get everywhere.

Now, the French, Germans and South Africans are at it and British growers plan to join in this autumn - at the insistence, apparently, of supermarkets which are reluctant to sell loose apples without individual identification. The litter problem looks set to grow.

## Three market leaders from Tuscany

Edmund Penning-Rowse considers an instant success story

**I**T IS rare indeed for a high-quality, high-price wine to become within its field an international market leader almost on its launch: least of all an Italian one. Yet this has happened to three: Tignanello, Sassicaia and Ornellaia.

Tignanello is the vineyard name of part of the St Cristina Chianti vineyard of the historic Florentine firm of Antinori, owned today by Marchese Piero Antinori. Eighty per cent Sangiovese and 20 per cent Cabernet-Sauvignon. It did not follow the official DOC Chianti formula and was launched in 1971 as just a vino da tavola with almost instant success. It combined the rich fruitiness of old-vine Sangiovese with the elegant bouquet and flavour of the Bordeaux grape. Production now varies between 15,000 and 25,000 cases per year.

Sassicaia began differently. It had long been the tradition of rich Italian families to import wines from France but, in 1944, the Marchese Mario Incisa planted on his San Guido estate, at Bolgheri on the Tuscan coast, half a hectare with 85 per cent Cabernet-Sauvignon and 15 per cent Cabernet France, to yield 2,000 bottles a year for his family consumption.

His wife was the sister of Marchese Piero Antinori's mother and, in 1971/72, he put on the market the 1968 vintage under the vineyard name of Sassicaia. A quick sell-out led to gradual extension of the vineyard, which now covers 30 ha and annually yields about 10,000 cases.

Ornellaia is the brain-child of Piero Antinori's brother, Lodovico. At the end of the 1970s, he decided to establish a winery on the Bolgheri family estate.

The first vines - 80 per cent Cabernet-Sauvignon, 18 per cent Merlot and 5 per cent Cabernet Franc - were planted in 1980, and the first vintage of 15,000 bottles came in 1985. The vineyard has been steadily increased, and separate ones started to produce Merlot and Sauvignon wines, and less expensive blends. The first Ornellaia released on the international market was the 1989, now followed by the 1990 with 6,250 cases, but more than 8,000 of the '91 and nearly 12,000 of the '92 will be available and a maximum of more than 20,000 cases is planned: more than double the neighbouring Sassicaia's settled total.

On a recent visit, I was fortunate to have vertical tastings of all three wines on their estates. All are made in new oak barriques.

Tignanello '89 - generally, not a good vintage in Tuscany and this lacked body and was short, but an agreeable, easy-drinking wine. '88 - elegant and mature with real Cabernet flavour, but to be drunk. '85 - big colour, rich nose and concentrated flavour. The finest wine of the tasting and Tignanello at its best. '81 - full colour, line, mature

old bouquet, elegant taste, a classic wine of its kind. '77 - brownish colour, with a chocolate nose, some dryness on the palate, but a sweet finish. A complete wine. '71 - the wine of the original vintage had an old claret appearance and flavour, but no decay. Not only did Tignanello start the fashion for high-quality vino da tavola, but it has never been rivalled in demand or excellence in quality.

Sassicaia '82 - a barrique sample, with very good colour, elegant nose and line balance. '81 - also from a barrique, but a lighter wine with an oak-scented nose. '90 - still closed bouquet and flavour, but full-coloured and well-structured; should turn out very well. '86 - much more developed, with full colour but per-



haps less roundness and richness. '85 - a supple wine, ready to drink, but not all that distinguished. '82 - brown-tinted, but with a rich nose and full, sweet flavour; an exceptional wine at its peak. '81 showing some age, but elegant and sweet. '78 - exceptional colour for its age, with a sort, engaging bouquet and light body.

Ornellaia '91 - good colour, but typically light on nose and taste for the year; short. '90 - very rich wine, with big colour, very rich, oaky nose and a taste of prunes. Still closed; less concentrated than Sassicaia. '89 - an easy-drinking, fairly light wine as the vintage mostly dictated. '88 - very big colour, and concentrated bouquet and flavour. A strong wine, still tannic and to be kept. '87 - fair colour but lacked fruit on nose, with some dryness on palate. A moderate-only year, yet still fair drinking.

The Marchese Lodovico clearly has wider ambitions than his neighbour, cousin and fellow Ornellaia director, Marchese Nicolo Incisa. Yet the latter has one important advantage. His wines have an average age of 25 years, whereas Ornellaia's are much younger. Sassicaia is also kept longer in cask. None of these wines is for early drinking. Style, and quality as well as price, demand definite if variable maturing times for all three.

Winecellars, London, SW18 (Tel: 081-871-2668) lists Sassicaia '89, Ornellaia '90 at £23.85, and Lay & Wheeler (0206-764446), of Colchester, Essex, has Tignanello 1988 at £21.80.

**T**HIS has been a disaster year in our garden. The courgettes curled up and died. The white currants failed to fruit. The runner beans refused to run. I began to despair of enjoying any home-grown produce.

But gardeners are kind-hearted and generous people, well versed in the charitable practice of visiting the sick and

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Cookery/Philippa Davenport  
Another revival of salad days

the dying. Word of our predicament spread and we have received a stream of commiserations, many from visitors who bring a harvest of offerings from their own gardens.

There have been bunches of the sweetest-ever young carrots, beetroot ranging in size from ping-pong to tennis ball, the newest of new potatoes, courgettes, runner beans (yellow-podded as well as green), squeaky-fresh spinach, armfuls of flat leaf parsley, green coriander and rocket, lettuces of various shapes and hues, and cucumbers and tomatoes of unparalleled flavour. Special

thanks to Edna and Alex Cross, Louise Mollo, Phoebe Wickham, Carl Telemacque and, most of all, to Doris and Bob Bennett. As a result of their kindness, here is a trio of salads we have enjoyed.

**ROCKET WITH SWEET PEPPERS AND PARMESAN**

Use whatever quantities and whatever ratio of ingredients you like for this robustly flavoured salad, which makes an admirable appetiser. If you do not have gardening friends to help with providing fresh ingredients, or if time is short, a jar of roasted and skinned

red peppers preserved in olive oil can be used instead of peppers prepared freshly at home. Grill two or three red peppers until the skin is blistered and black all over and the flesh feels soft underneath. Strip off the popery skins as soon as cool enough to handle. Discard stalks, seeds and pith and cut the flesh into strips.

Dress them with fruity olive oil, sea salt and black pepper. Add a dash of lemon juice, also a squeeze of very finely-chopped garlic if liked. Toss and leave to marinate for at least one hour. Overnight is better. To serve, lay the peppers on

a bed of rocket leaves and scatter another handful of rocket over them. Drizzle the marinade juices over the leaves and scatter with thinly-shaved curls of Parmesan cheese.

**POTATO, TOMATO AND WATERCRESS SALAD**

Adapted slightly from Dorothy Hartley's *Food in England*, this makes a delicious and useful light lunch dish.

Skin and slice 1lb or so of well ripened and richly flavoured tomatoes. Lay them in a shallow dish. Season lightly with salt and pepper and sprinkle generously with chopped

mint and chives. Steam or boil an equal weight of thickly sliced La Ratte or Charlotte potatoes. Drain well and dress them with a few spoonfuls of well seasoned single cream (or with a dollop of home-made mayonnaise thinned with milk to the consistency of single cream).

Lay the potatoes, as soon as cool, over the tomatoes. Scatter a few stoned and halved black olives here and there, cover with a close carpet of watercress sprigs, and drizzle a soupcon of olive oil and vinegar over the whole lot. Two to three parts oil to one part vine-



gar works well here, and balsamic vinegar is to be recommended.

**MANGO WITH PRAWNS, CORIANDER AND LIME**

The essential ingredient here is that elusive commodity, a well ripened mango. Not, alas, something my gardening neighbours can supply, but

easier to buy (and often cheaper) at this season than at other times of the year.

Allow a handful of North Atlantic prawns per person and one perfectly ripe mango between four people for a first course.

Shell the prawns, saving the heads and other debris for soup. Season the shellfish with sea salt, black pepper and freshly squeezed lime juice. Toss and set aside while you peel the mango and cut its flesh into crescent moon slices.

Both the scent and the taste of the fruit should be lusciously rich. If it smells as though wiped with a turpentine rag, abandon it and use a couple of nectarines instead.

Mix the mango gently with the seafood and its juices, scatter with a little chopped coriander, and garnish with wedges of lime.



PERSPECTIVES

Lord Lawson expands on his personal view of the free market as an economic philosophy

# A paean of praise to capitalism



also their family and their children.

To my mind this is a vitally important extension, not to be dismissed as genetic selfishness. When parents neglect their children (or worse), as in recent well-publicised "home alone" cases and the like, we do not regard this as a lack of genetic selfishness, but with horror as morally unacceptable behaviour.

Hence the infallible rule that tyrannies always seek to weaken if not destroy the family.

Another key feature of market capitalism is the private sector, nonmonopolistic, firm. Capitalism is sometimes portrayed either as monopolistic exploitation or an unattractive competitive jungle, where the values of co-operation are

others. I suspect that the value of the family business and the culture it represents has been insufficiently recognised.

But while the misguided moral critique of market capitalism as irredeemably selfish has been allowed to acquire considerable resonance, an even more powerful ground for moral disavowal has

*Free markets work well, but so does the law of the jungle. Therefore even some Tories worry about the unacceptable face of capitalism. This week at the British Association's annual conference, Lord Lawson, former Conservative Chancellor and leading thinker of the Thatcher era, offered a robust defence of capitalism, as not only the most efficient economic system, but as one which may claim moral superiority. Here we print an edited version of his talk*

Subordinating one's own personal interest to that of one's family is not the beginning and end of altruism, to be sure, but it is the beginning.

The family, which looms large in the scheme of market capitalism, is not only the foundation of a stable society, but an important bulwark against tyranny - as, of course, is the institution of private property, the more widely spread the better.

lost in a free-for-all. What this overlooks is that the private sector firm itself provides a model of effective co-operation.

These two institutions, the family and the firm, come together, of course, in that much-derided corporate entity, the family business.

While more important at earlier stages of development than later stages, and in some cultures than in

been the inequality to which it leads.

Yet in these terms, the closer the charge is examined the less impressive it appears. There is clearly no principle of equality that has any conceivable merit. Equality in misery is of no value to anyone. Nor is it clear whether equality should be considered within the context of the nation and society in which we live or in the wider

context of the world as a whole. Even in the narrower context, it is doubtful if there can be more than a tiny minority of eccentrics who wish to see a society in which absolute equality is the rule. Yet once it is accepted that there must be inequality, the principle of equality (if there ever was one) has been abandoned, and we are left not with morality but with something that looks rather like an amalgam of aesthetics and envy.

Not that absolute equality, or anything approaching it, is possible anyway (which is one good reason why it has never existed anywhere, at any time). For one thing, there is more than one dimension of equality: it is not simply a matter of income and wealth. In particular, the closer to pecuniary equality a government seeks to move, the greater the coercive powers needed to achieve this, and the greater the inequality of power between government and governed.

Moreover, absolute equality, even in the sense in which it is theoretically attainable, must of necessity lead to misery. If there is to be no greater reward for work or saving or effort of any kind than is meted out to those who decline to work or save or make any effort, then remarkably little work, saving or effort will be undertaken. This is not simply an elementary economic proposition. It is also intimately connected with a more robust moral sentiment: that associated with equity and desert. If two people are working at the same job, with equal skill, and one chooses to work overtime while the other does not, failure to pay the former more would be seen as not merely self-defeating but grossly inequitable.

It is true that large disparities in rates of pay can give rise, particularly when hyped up by the populist press, to storms of apparent moral outrage. But this has nothing to do with attachment to any principle of equality. People do not expect some third division nonentity to be paid the same as Eric Cantona, nor me the same as Pavarotti, should I inflict my singing on you.

For all these reasons, the egalitarian argument is usually couched in terms of more equality. However, once the legitimacy of egalitarianism is accepted, however much equality there is, the cry will always be for more of it.

It is, moreover, the combination of the *inevitability* of egalitarianism with the impossibility of achieving equality that causes the elevation of equality into the touchstone of political morality to be a recipe for maximising discontent. In a sense, indeed, it is positively immoral. However, although market capitalism is the best system ever devised for the avoidance of

large-scale poverty and for enabling the poor to improve their lot, it manifestly does not ensure the elimination of poverty altogether. That is why voters rightly expect any government to operate a social security system for the relief of poverty, and why all governments, however wedded to market capitalism, in practice do so.

There are obviously a number of practical questions involved in this. It is not merely a case of how poverty is to be defined, but also whether relief should be targeted or part of some universal benefit (overwhelmingly the former, I believe), whether other dimensions such as age should be taken into account whether relief for the unemployed poor should be linked to some form of welfare (I believe it should), and so on.

But the key point is this. So far from making a case against market capitalism, the existence of an underclass is a challenge to find a means of minimising its size and saving those in it from degradation without in any way undermining market capitalism or detracting from the benefits that system has proved itself to be uniquely capable of providing.

Just as the sensible successful businessman who seeks to help those less fortunate will do so not by changing the way he runs his business but by applying part of his personal wealth to philanthropy, so the wise government will best help the poor not by interfering with the market but by creating a well-designed social security safety net alongside it.

Throughout modern history, market capitalism has sought to rest its case on its practical success - a relative success which, over the past five years, events in central and eastern Europe have shown in a particularly telling light. Socialism, by contrast, has been forced by practical failure onto the high ground of morality.

Perhaps we could leave it there. The description of the Roundheads and Cavaliers in 1666 *And All That* and accept that capitalism is right but repulsive, whereas socialism is wrong but romantic. But I would not feel comfortable in doing so. Success, which is inevitably incomplete anyway, will sooner or later always be taken for granted, and then the moral assault, if unanswered, will gain ground.

At the very least, if we are to live within a market capitalist system, it is unsatisfactory that we should have doubts about its moral foundations. One or two recent speeches even by some members of the present government betray a worrying insecurity in this context.

In seeking to repudiate the moral critique of capitalism, and to suggest that it should not be held responsible for the moral imperfection of man, I do not need to win my case. For even a stand-off in the moral dimension is enough to allow market capitalism's unimpaired superiority in the world of practical achievement to win the day.

## Motoring/Stuart Marshall

# Still very working class

THE RUSH into the recreational on-off-road 4x4 market has seen the Land Rover and Daihatsu Fourtrak (photographed right) put up a stout fight against competition. The Land Rover Defender, although equipped some years ago with the Range Rover's more civilised underpinnings, remains a working vehicle.

Some might say it is now the smartest 4x4 of all in which to be seen because it implies, first, that you have broad acres and, second, that you suffer its

discomforts gladly because you - or your men - must be able to drive to the furthest, muddest parts of your estate loaded with straw bales or Fortnum's hampers.

Capable though they are off road, most of the Shoguns and Troopers, Discoveries and Mavericks, Cherokees and Frontiers, Land Cruisers and Vitaras are seen on school runs and in supermarket car parks, not axle deep in mire. As *Glass's Guide*, the car trade's bible, noted the other day, these life-style on-off-road

ers bucked the recession and sales are reaching new heights. They are bought by seekers after individuality, many of whom had found their beloved hot hatchbacks no longer insurable at sensible cost.

The Daihatsu Fourtrak never really fitted the recreational mould, though. It was a worker, with simple leaf springs and a beefy diesel engine. Farmers love Fourtraks. You see a lot of them, battered and long suffering, hauling sheep trailers in the wilder parts of Britain.

The life-style market is, however, too big to be ignored and Daihatsu wants a larger slice of it. So, the latest Fourtrak has independent front suspension, a coil sprung back axle, wheel arch extensions to accommodate fatter tyres, and a wider track. The car-like interior seats five, or seven if you sacrifice all luggage space.

It still feels rugged, and it banged about resiliently on moorland tracks on the Isle of Man where I drove one recently. The on-road ride and handling are much better than

before although, as the wheelbase is still fairly short, it is more inclined to pitch on minor roads than, say, a long wheelbase Shogun, Maverick or Frontera.

One is more aware of its 2.8-litre, 100-horsepower turbo-diesel than in an ultra-refined, Nissan-built Ford Maverick or Terrano II. Not that this is likely to trouble the traditional kind of buyer who pulls a two-horse trailer; a Fourtrak tows up to 3,500 kg. Prices are £15,650 for a TDL, £16,895 for the better equipped TDX.



## Sport/Martin Jacques

# Putting the fun back into racing

ON Bank Holiday Monday, nearly 20,000 people crammed into Thruxton, a rather basic and unassuming Andover in Hampshire, for the latest round of the British Touring Car Championship.

This is about the same number of people that insiders claim attended the European Grand Prix at Donington Park in April. It is a far cry from the few hundred devotees that will attend the average Thruxton club meeting.

The success of the BTCC comes when motor racing is feeling the pinch after the heady days of the 1980s. The most publicised case is Formula One, motor racing's flagship, where crowds have been sharply down at many grand prix and dull racing has provoked something of an existential crisis.

Move outside the exotic world of Formula One and motor racing is in a parlous state. The international sports car championship collapsed because of lack of interest from manufacturers and the public. Formula 3000 and Formula 3, the two major single-seater series which act as the breeding ground for Formula One, attract pitiful attendances.

Against this depressing backdrop, the BTCC is regularly attracting crowds in excess of 20,000 in this season's 17-race series, not only at the showcase circuits like Silverstone

and Brands Hatch, but also the more obscure ones.

Of course, saloon car racing has always had what might be described as a certain basic appeal.

I remember as a little boy going to my first race meetings in the 1950s and watching the big Jags wallowing like small boats through the corners, their thin tyres screeching for grip.

But the present extraordinary popularity of touring car racing is a recent phenomenon. The key moment was the decision in 1990 to confine the cars to a single class of two litres followed, in 1991, by the ceding of control over the series to the Touring Car Association (TOCA).

A new and coherent philosophy came to inform the series. The single class promised close racing. The decision to ban gizmos like traction control and ABS had a similar effect, while also helping to restrict costs.

The emphasis was entertainment rather than technology. The drivers are paraded round the circuit before the race. Unlike in Formula One, where the numbers on the cars are now so small that one is reduced to identifying the drivers by the design of their crash



Touring car racing: the bright star of motor sports

helmets, the name of the driver is clearly emblazoned on the side window.

There is a conscious effort to give motor racing a family appeal. Each race is promoted on television and in the press. Races are shown on BBC Grandstand. As Alan Gow, the

managing director of TOCA, said: "If we didn't have television, BTCC wouldn't be where it is."

The package has attracted manufacturers in droves. There are now eight works teams - Vauxhall, Ford, BMW, Toyota, Nissan, Renault,

Mazda and Peugeot - with several, including Mercedes, Audi and Alfa Romeo, reputedly waiting in the wings.

Manufacturer involvement in Formula One looks puny in comparison. The attraction is obvious. The costs are reasonable: in

the region of £1.2m per season for a two-car team. The promotional value is considerable. And, with the racing close and unpredictable, there are many winners and few losers over the course of a season. The BTCC has hit upon a successful formula, with crowds, TV, sponsors and manufacturers seemingly forming a virtuous circle.

The message of BTCC coincides with that of Nicola Foulston, proprietor of Brands Hatch, who threatens to become the enfant terrible of the motor racing establishment - a status owing not a little to the fact that she is a 26-year-old woman operating in a man's world.

Foulston is critical of "the old blazers and cravats" who have long dominated the domestic scene and she is not afraid to make some pungent and apposite remarks about Fisa, the governing body of motor sport.

She asks many of the right questions: how can motor racing reach out to a new public; what should it do for the spectator who is taken for granted in a manner which has led to much soul-searching in other sports such as soccer; how can it create new and successful

formulae (not least in view of Fisa's failure in this area), and how can it compete in the entertainment industry?

Toca's Alan Gow has a similar refrain: "Motor racing has to broaden its appeal from the enthusiast to the casual spectator. It is competing for their disposable income. The Oulton Park circuit is in the same market as Alton Towers."

The immediate inspiration for the BTCC series comes from the German touring car championship, which is attracting crowds of more than 70,000, rather larger than most grand prix. But Gow's eyes are set west. He believes the American experience is the most instructive.

There is growing recognition that IndyCar racing has much to teach Formula One, with the latter grudgingly admitting as much this season by enrolling in a crash course to try and learn the lessons.

But IndyCar is by no means the most successful American series. That honour belongs to NASCAR, the American oval saloon car race series. Gow is emphatic: "We take our lead from NASCAR and drag racing."

The success of the BTCC could be a straw in the wind

for a sport which is crying out for new thinking. It looks outwards in contrast to the old club mentality which set its sights firmly inwards. It believes in the spectator, where Formula One has only had eyes for the television cameras.

Finally, perhaps the BTCC is telling us something else. Could we be moving into an era in which touring car racing replaces single-seaters as motor racing's biggest draw?

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## PROPERTY

**T**HE NEW factor in the already immensely complicated process of trying to purchase Swiss vacation property is altitude. With the recent trend to milder winters in central Europe, many formerly popular resorts no longer have secure supplies of snow and, consequently, it seems that their attraction to the foreign buyer is waning.

Take, for example, Crans Montana and Villars. Crans Montana, a resort in Valais with a lot of skiing over 2,500 metres, has sold out its 1993 quota for foreigners already. Villars, a resort above Montreux that has long welcomed foreigners, is having a tougher time and, recently, pleaded with the authorities to ease the buying restrictions on them. Among other well known resorts that have little or no skiing above 2,500 metres are Grindelwald, Arosa, Morgins and Gstaad, although most of them have other attractions to compensate. That is just as well, because hopes last year that the panoply of restrictions on foreign buyers would be lifted in the near future have been dashed.

The plan was that Switzerland would join the European Economic Area (EEA), the proposed expanded free trade zone among the 13 countries of the European Community and the seven members of the European Free Trade Association (EFTA). Under the EEA treaty, Switzerland would have had to accept the EC's so-called four freedoms, including the right of any citizen of the area to own property anywhere within it.

Both Switzerland and Austria, which foresaw hordes of Germans descending on their choicest alpine valleys, managed to negotiate the maximum five-year transition period before their property markets would have to open. The most threatened communities would probably have passed by-laws putting severe limits on all property transactions (acceptable to Brussels because they were non-discriminatory).

On December 8, however, a majority of Swiss voters rejected the EEA treaty. So, for the moment, the situation in Switzerland remains, if not totally impossible, quite difficult. The federal Lex Friedrich simply prohibits investments in property by foreigners. In fact, there are exceptions, which is obvious to anyone who thinks of the procession of famous people - from conductor Sir Georg Solti to golfer Nick Faldo - who have retreated in the country. A foreigner who has a permanent residence permit, for example, can buy anything he wishes. A foreigner who has to work in Switzerland can buy his principal residence there.

Foreigners also can buy vacation homes in the most popular alpine cantons - Graubünden, Ticino, Valais, Vaud and the Bernese Oberland - but only subject to a maze of limitations. First, there is an overall national annual quota on sales to foreigners which is split among these cantons. But individual communities retain the right not to participate. Several of the most famous ones, such as Zermatt, St Moritz, Saas Fee and Davos have stopped allowing foreigners to buy chalets and apartments. Some are even indulging in



The appeal of Crans Montana... with plenty of skiing over 2,500 metres, it has sold out its 1993 quota for foreigners. Other places are not so fortunate

## Not impossible - just difficult

*Ian Rodger finds that foreign buyers still face a host of obstacles in Switzerland*

ethnic cleansing, insisting that, when a foreigner sells, only a native can buy.

Then, there is a limit on the number of properties in any given development that can be offered to foreigners (usually about 30 per cent) and a limit on the size of property a foreigner may buy (100 square meters of living space and 1,000 square meters on the total property). But these space limits apply only on developments authorised after 1986, so older properties may be larger.

To discourage speculation, the authorities insist that a foreigner must not resell his property within given periods - for five years if to a Swiss, or 10 years to another foreigner. And, finally, in the typically thorough Swiss way, purchases by foreigners must be vetted by the police

and approved by both local and national governments. "Many people are put off by these laws, but people do still buy," says Jean Pierre Bernini, an agent with Revac in Geneva. "The motivation is perhaps less a holiday home as such but more the fact that it is a safe country with a strong currency and completely independent of an uncertain European scenario."

David de Lara, of David de Lara & Partners, a London agency specialising in Swiss vacation property, also emphasises the investment angle. "At the very worst, you will get the price you paid for a property. Look at the people who bought in France and Spain. Now, they are stuck."

Of course, safety, stability and independence do not come cheaply, and the recent round of currency devaluations in many

European countries has made Swiss property even dearer for the foreign buyer. And while Swiss urban property prices have declined sharply in the past three years, vacation properties have held up reasonably well. Prices for properties available to foreigners have held up even better, mainly because of the quotas.

An 80 sq metre, two-bedroom flat in Villars is still going to cost at least Sfr300,000 (£136,370) in more trendy Gstaad, perhaps three times as much. That charming, traditional, fully detached chalet with a garden on an alp costs rather more - unless you are willing to be in a less popular area. De Lara offers chalets from £180,000 in places such as Champéry and Aulère.

Potential purchasers should be aware

that the quotas also apply to re-sale. In other words, if and when you come to sell your chalet or flat to another foreigner, that transaction would have to be authorised from within the annual quota for the locality. And, naturally, the authorities give priority to applications for new developments when allocating their quotas. So, there may be a delay of some months before the sale can be made.

Following the defeat of the EEA treaty, the Swiss federal government has adopted a policy of implementing as much EC compatible legislation as possible. Thus, it is planning to review its policy on foreign property ownership in the autumn, with a prospect of less restrictive legislation being introduced next year. But the word in Bern is: don't hold your breath.

## Thailand beckons

IF YOU VIEW Florida as too dangerous and Tuscany as yesterday's scene, then Thailand could be the place for your holiday home. So says a British agency which can arrange for you to have a house built there by a company\* with a British managing director. It has sites for two developments of six to eight houses on the Thai island of Phuket. One, at Kamala Bay, is close to a palm-fringed beach which is largely undeveloped and sweeps in an arc for nearly a mile.

The design of the detached guideline house will be a modern adaptation of Thai style with a steeply pitched roof, concrete frame, rendering or plasterwork, ceramic tiling and a lot of teak. There will be three bedrooms and balconies, living and dining rooms, a maid's room and a garden. Specifications can be amended for individuals.

A foreigner cannot own a land freehold in Thailand but he can lease it, and any building on leased land can be sold separately. Leases can be up to 90 years (30 years plus two pre-paid 30-year extensions).

The total price of a house on Phuket, including 90-year lease and purchase costs, is likely to be from £140,000 up and there is an annual lease administration fee of about £400. To offset the costs, however, there is a lot of foreign demand for renting.

Land prices in Thailand are low compared with other countries, says Jeremy Adler of Villas Abroad (Properties) which is handling the Phuket project. You can build at any time within three years after signing up.

Thailand (once Siam) is a constitutional monarchy about the size of France. Phuket, about 30 miles long, is off a peninsula on the west coast near the Malaysian border and is reached by a causeway. Apart from Patong, which is lively and colourful, most of its resorts are small, but it does have its own airport.

Many might see the 14 hours' flying time from London (including transfer at Bangkok) as a deterrent, and return air fares can be anything from £500 to £1,500. But long-haul destinations have become popular with some holiday-makers bored with resorts close to home and full of fellow-Britons.

\*The development company offering these properties is Phuket Land and its British managing director is William Pinnett. Villas Abroad (Properties) can be telephoned on 081-891 5444. Information about land-buying in Thailand can also be obtained from the country's information service, tel. 071-384 5431.

Audrey Powell

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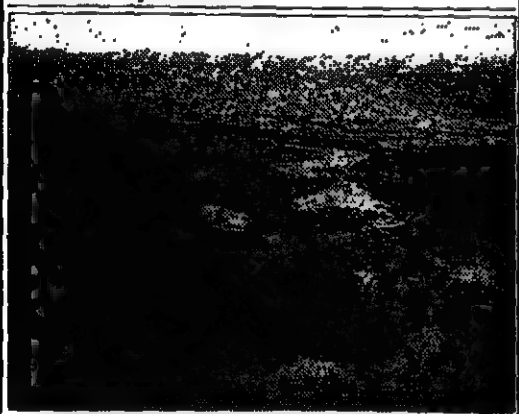


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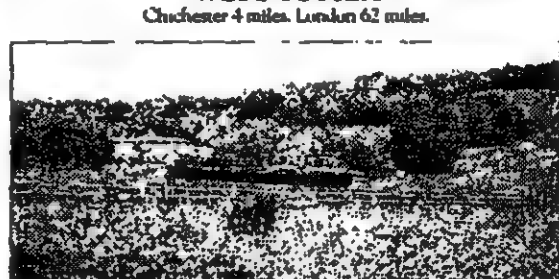
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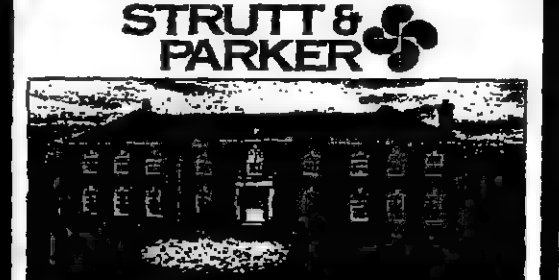
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## The King recalls

**F**RANCIS KING wrote *To the Dark Tower* when he was 23. Now, at 70 not out and 30 or so novels later, he is hard at work on a new one. In between there have been one or two books of short stories, hundreds of reviews, and the odd biography. A "prolific writer" is what King calls himself in this book of memoirs, *Yesterday Came Suddenly*, and that seems absolutely right. Like Justice Shallow, whom he resembles in no other respect, King is "an early stirrer". He tells us that it is his custom to rise at 5 or 6am whatever the time of year and write for a couple of hours before breakfast, and then perhaps four more during the day.

His industry is legendary. Before she took up the law, the late Anita Ryan QC was a colleague of King's at the British Council in Florence. She had an abiding memory of King in the half-hour break between classes repairing to the staff common-room, brushing aside offers of coffee, impervious to chatting groups, as he sat apart at a table to work at his next novel before resuming work for the Council.

The story of this entertaining book is that, industrious as he was, writing novels could not in King's case become a full-time job until recently. It had to be combined with such chores as running the Council office in Kyoto, a seven-year stint as drama critic of the *Sunday Telegraph*, and the honorary occupation of presiding over international PEN.

He also describes himself as being very sociable, and here again one cannot quarrel with his choice of epithet. No-one can have made more friends and kept more of them: many were fellow-writers, people such as Ivy Compton-Burnett, Olivia Manning, J.R. Ackerley, Robert Liddell, Elizabeth Taylor. King has had lasting friendships with all of these as he has with many less eminent authors. He has a revealing anecdote or two about them all, never outrightly malicious but usually wildly indiscreet (e.g. Ackerley peeling on the sheets and the dog getting blamed). There are many other friends in different walks of life who throng these pages about whom King has witty, tender and insightful things to say.

I confess that I too have been a friend of King's for almost 50 years: ever since we met at Oxford just after the war. Why then are you reviewing his book? you may ask. Well, partly because I could not resist reviewing it and partly because King is not a man who pulls any punches about his friends' work: nor would he wish me to pull any punches when reviewing his.

The book reproduces the author's conversational manner, his riveting way of

describing those extraordinary occurrences or coincidences that are constantly befalling him. Its weakness is that though it follows a chronological path from childhood in India to middle age and third age in Kensington, it lacks a firm structure and tends to rattle on until you become almost satiated with anecdotes. But to anyone who has read his novels it fills many gaps in one's knowledge of the author.

His regular readers know, for instance, that he was born in Switzerland and partly brought up in India, where his father was a British officer in the police, India under the Raj was

**YESTERDAY CAME  
SUDDENLY**  
by Francis King

Constable £16.95, 336 pages

the setting for his novel *Acts of Darkness*. Now we have the full account of his uncle's murder and his father's death from the then incurable TB, the family's desolation, King's life in England as a "remittance child", his relations with his remarkable mother, who lived to be more than 100 and who inspired his novel *The Widow* (the one book of his she disliked), his schoolboy career at Shrewsbury where he was happy in spite of brutalities, his time at Oxford broken by military service but by farm-work. He was a conscientious objector: he gives his past reasoning and present views.

As a post-war undergraduate, with one novel published and poetry in *The Listener*, King, I recall, was aloof from undergraduate society. He seemed glad to go down and delighted to be appointed to a British Council job, first in Italy, then in Greece, Finland, Egypt and Japan. He was one



Never malicious but usually wildly indiscreet: Francis King

of several writers employed at that time by the Council - Louis Macneice, Ronald Bottrill, D.J. Enright, James Kirkup - all of whom King remembers. Other colleagues included Francis Toye, the musicologist, and Roger Hinks, the diarist. King was a diligent worker for the Council and rose to become a director. He reveals that this was combined with a very full private life.

His accounts of his and other peoples' mainly homosexual amours are a hilarious replacement for the usual descriptive and cultural digressions in a book about countries where the author lived in happy, working exile. King took early retirement and resided for many years in Brighton - see *The Brighton Belle* and other stories - before coming back to London. It was in Brighton that he found himself involved in a prolonged and costly libel action started by a neighbour (see *The Action*) and Brighton where he met the love of his life, a man he first encountered through putting an advertisement in the local paper, requesting information about the work of a deck-chair attendant, for the purposes of a novel.

The last chapter describes how after their many years of happiness as a couple his lover died of AIDS, and King himself afterwards underwent an operation for cancer. The mood changes here to *molto adagio* after the long joyous *allegro* of the middle section.

"I have often said", King concludes, "that I am never happier than when I am writing. That is true. But it might have been better for me and for those close to me if it had not been so." Where is the writer who could not similarly reproach him or herself? But none, surely, with less justice.

Anthony Curtis

## Of apes and men

**L**ET US admit our fellow Great Apes - the chimpanzees, gorillas and orang-utans - to the same moral community as ourselves, thereby according them rights to life, to liberty, and to protection against torture - especially the kind of torture inflicted in the name of scientific research.

Such, in sum, is the message of this important and spectacularly fascinating collection of essays. Written by some of the world's foremost scientists and philosophers, it launches the "Great Ape Project", a campaign to bring our fellow apes within the sphere of ethical concern at present reserved for humans alone. And it does so in a highly readable and educative manner, crammed with wide-ranging discussions of apes' use of language, the evolution of the ape family, ape learning and behaviour, and lucidly written accounts of the project's philosophical and legal implications.

All the Great Apes are so closely related that there is a mere 1.6 per cent difference in the genetic constitution of humans and chimpanzees. The family trees of today's humans and chimpanzees stem from the same ancestors less than 7m years ago. Go back only another 2 or 3m years, and the human-chimp branch of the clan shares common ancestors with today's gorillas. Ten million years is a brief span in the history of life on earth. Yet we do not need to contemplate this tiny evolutionary divergence, or the genetic proximity between members of the Great Ape family, to recognise their kinship: it was obvious long before scientists measured it.

It is indeed because of this very genetic closeness that some of the Great Apes - chiefly, chimpanzees - are kept in captivity and subjected to medical experiments for the benefit of other Great Apes

- namely, humans. Imagine this: a group of humans embarks on a colonial adventure, in the course of which they capture specimens of other humans from other continents, and exhibit them in their zoos - or, suitably stuffed and mounted, in their museums: they breed them in research laboratories for experimental purposes; they even hunt them for sport. Would there be much difference between this and the way we treat our fellow apes? Humans have done -

**THE GREAT APE  
PROJECT**  
by Paola Cavalieri and  
Peter Singer

Fourth Estate £9.99, 312 pages

and sometimes still do - these things to other humans, but we condemn their behaviour. The eloquent argument of this book is that subjecting our fellow apes to this treatment is equally wrong.

Chimpanzees do not have larynxes like humans, and therefore cannot vocalise as humans do. But they can use language. Several essays describe the acquisition of sign or code languages by chimpanzees, up to a developed competence similar to that of a two-and-a-half year old human child. This language-possession is genuine; it is not merely an elaborate mastery of tricks, such as a circus dog might display. Chimpanzees formulate novel sentences to which to communicate ideas and emotions, and they do so in the course of their relations with their human companions in an entirely natural way. This fact alone demands of us a radical shift in our attitudes to them: how can we speak to them and yet still expropriate their forest homes, lock them up in zoos, and inject fatal viruses into them?

Non-human apes, especially gorillas, were until recently demonised in film and literature. Their similarity to us was used not as proof of kinship but as a means of symbolising the supposed bestiality within us. When Dr Jekyll drank his poison he exposed a mythologised savage inheritance; in some depictions, his hands grow hairy, his brow beetles, his teeth enlarge: he becomes a horrifying gorilla-man.

In the popular imagination, if it is not violence then it is stupidity which marks the ape, betokened by tree-swinging, armpit-scratching and gibbering. One way to insult someone is to call him an ape. Yet our fellow apes are intelligent, inquisitive, affectionate and sociable creatures, with capacities for suffering and grief that match our own, and with a grave beauty and dignity to which many of these essays testify.

If you can think of arguments against treating non-human apes just as we treat human apes - if, in particular, you think they should be accorded fewer rights than humans - you will be sure to find powerful counter-arguments to your view somewhere in this rich spread of essays. The editors have performed splendidly in choosing and monitoring contributions in such a way that every essay is a model of lucidity, informativeness, and substance. Together the essays present an overwhelming case for a revision in our treatment of our fellow apes. The editors and contributors press for immediate acceptance of a "Declaration" which demands for all Great Apes the rights of life, liberty, and security from torture and experimentation. Their essays powerfully show why we should agree.

A C Grayling



## Critical outsider who thrived on support

*A fine biography highlights the still unresolved contradictions of a brilliant political theorist, argues Steven Lukes*

**H**AROLD LASKI'S life is fascinating and instructive. He found it so fascinating that he was given to telling stories, sometimes tall stories, about his relations with the famous and powerful. We know that Francis Galton, the eugenicist, found him brilliant, as did Oliver Wendell Holmes, who treated him like a son and whose friend and confidant he became. He was close to Justices Frankfurter and Brandeis and to countless other left and liberal luminaries on both sides of the Atlantic, and also in Europe (the authors tell us too little about his relations with these). In Britain he moved to centre stage as Chairman of the Labour Party after the war, by which time he seemed to know almost everybody.

One of the subsidiary pleasures of this superb biography is the detective work the authors have done in sifting fact from fiction. He did, from his childhood in Manchester, know Churchill, whom his wealthy businessman father had supported in his resolute stand against anti-Semitism. He did, as an Oxford student, have a blazing row with Lloyd George about women's suffrage. And he was a frequent correspondent with Franklin Roosevelt, who enjoyed his company. The authors have unearthed a story Laski was careful never to tell: his abortive attempt, while at Oxford, to blow up Oxford railway station in support of the suffragettes.

They conclude in his favour: his romanticism was only an exaggeration of an extraordinarily successful strategy, pursued throughout his life, of being the critical outsider while "thriving on the company, support and applause of the very people who have mocked, satirized and sought to topple". They plausibly suggest that the marginality and alienation of his status as a radical Jewish intellectual in

Britain lent that strategy its peculiar intensity.

What is fascinating is how to account for its exceptional success. For he did not only impress the Establishment. He became "a mass preacher and public teacher, one of the most widely read and listened-to public intellectuals of this century... more interested in teaching people about and ushering in socialism than in his scholarly or political reputation."

He was, on all accounts, "brilliant": an articulate, witty, knowledgeable, with a sense of fun and an easy accessibility. He

**HAROLD LASKI A LIFE  
ON THE LEFT**  
by Isaac Kramnick and Barry  
Sherman

Hamish Hamilton £25

was an outstanding, magnetic teacher, whose influence radiated from the LSE throughout the Third World. A political theorist with an early taste for pluralism and syndicalism, who became a statist, Fabian and eventually a Marxist of sorts, it was not, however, because of his ideas that he made friends and influenced so many people.

On the contrary, he was not an originator but rather an indefatigable synthesiser on the hoof of prevailing grand ideas that seemed to provide justifications and scenarios of radical change while protecting the intellectual freedom that made his style of radicalism possible. Hence his extraordinary eclecticism that leads the authors, rather kindly, to suggest that his thought had many "layers".

In fact, it was riddled with contradictions. He believed that capitalism was outmoded and doomed but that the ruling class could be won over by reason, and

that revolution by violence could be averted through revolution by consent. He also believed the powerful would resist the advent of a militant socialism whose absence he never ceased to lament.

He thought the State was irredeemably partisan and potentially neutral and that the Labour Party was a force for socialist transformation and hopelessly reformist and trade union-dominated. He was "fiercely egalitarian and yet an intellectual prone to elitism and cultural snobbery". He was ambivalent about the United States, loving it and fiercely criticising it, and, more seriously, about Soviet Russia, acutely attacking the Webbs' adulation of it, but subsequently seeing in it the harbinger of a new civilisation.

He was "a cosmopolitan rationalist and a cultural, ultimately Zionist, Jew". Perhaps one key to his extraordinary appeal in his day was the prospect that so well-informed and brilliant a mind could find a way to resolve the contradictions he so clearly exhibited.

Yet the story is not only absorbing. It is also revelatory of what a "life on the left" can no longer be. Laski's life is, in a way, a parable of what we have irretrievably lost. For the contradictions it so amply contained no longer excite the optimism that they can be overcome. Above all, we have lost the possibility of assuming that "socialism" names a socio-economic and political order that is feasible and viable and more efficient than and morally superior to capitalism.

Without that assumption, a life on the left today must face questions that Laski's style of thought always avoided: how to make capitalism work for the benefit of the least advantaged, the vulnerable and the excluded; how to tame the destructive effects of markets; how to attain more social justice in face of the declining reach of the state.

## Revisiting Ultra's huts

**CODEBREAKERS**  
edited by F.H. Hinsley and Alan  
Stripp

Oxford £17.95, 321 pages

**U**LTRA was the British success story of the Second World War. The ability of British code-breakers to read and interpret enemy signals that shortened the Allies a decisive advantage that shortened the European war. The story has been told in the magisterial multi-volume account produced earlier by F.H. Hinsley and his team, an essential and unique source book for every war student, writes Zara Steiner.

This collection of recollections by the men and women who worked at Bletchley Park, an ugly Edwardian mansion with its adjacent "huts" which was the centre of Britain's wartime codebreaking activities, is a more informal effort to recall and recreate the atmosphere of the times and to give an authentic picture of the work done by an unusual assortment of individuals, many recruited through the "old boys' network at Cambridge and Oxford and some straight from school. Among the first contingent of 30 recruits were the small group of regular intelligence officers were mathematicians, classicists, historians and linguists, most strangers to the arcane mysteries of code and cipher-breaking and knowing nothing about the

services they came to serve.

For many readers, the most interesting parts of these individual memoirs are the accounts of recruitment - mathematicians calling on old friends and fellow scholars, a brief interview with a tutor or professor, "probing my interest in the three Cs - classics, chess and crosswords" - and the evocations of the wartime atmosphere at Bletchley Park. Only one essayist speaks of positive vetting: there was little time or need for such investigations. Even when the Bletchley Park group grew from under 100 in 1939 to more than 4,000 in 1944, the 100 in 1939 were kept, as it was for some 30 years after the war ended. The British success was predicated on the Germans' conviction that their signals could not be read and that their Enigma machines were entirely secure.

Those of us who suffer from varying

degrees of mathematical illiteracy will find the technical chapters describing the actual functioning of the cryptographic machines and the methods used to decipher and decipher the signals difficult, if not impossible, to follow, despite the excellent diagrams and pictures. There are also the problems of trying to reproduce the *esprit de corps* of the past, particularly for those of the "professor-type" trained in the more austere disciplines of their craft.

Some sense of the camaraderie emerges; there are fascinating vignettes of some of the key figures of the day, including the 20-year-old Harry Hinsley whose uncanny ability to interpret the German naval decrypts convinced the Admiralty to treat the young man with the greatest respect.

For some, particularly those working on the production of Ultra intelligence, the time at BP was clearly one of the high points of their lives. For the 2,000 Wrens engaged on the painstaking work of maintaining the "bombers", the machines used for deciphering the wheel-setting for Enigma machines, life was as monotonous as it was stressful, and not made any easier by their inability to say anything about their wartime activities.

## Thrills at turn of leaf

**I**T'S GOING to be a wonderful autumn for thrillers. Pile the logs on the fire, take down the whisky bottle, and send the wife to bed. (Correction where need be: send the husband to bed.)

Miss Smilla's *Feeling For Snow* is a remarkable and not-to-be-missed demonstration of the potential power of this genre. It's a novel, of course, not a "thriller" - but that has to be said of all good thrillers, because the word, so inappropriate to the boring bulk of them, devalues the exceptions. Peter Hoeg is a young Danish writer and he has imagined the most fascinating protagonist - a 37-year-old half-Eskimo woman, living alone in Copenhagen, who realises, thanks to her "feeling for snow", that there is something wrong about a Greenland child's apparently accidental death.

**MISS SMILLA'S  
FEELING FOR SNOW**  
by Peter Hoeg

Harvill £15.99/£9.99, 410 pages

**WHITE BUTTERFLY**  
by Walter Mosley

Serpent's Tail £7.99, 372 pages

**SPY'S HONOUR**  
by Gavin Lyall

Hodder & Stoughton £14.99, 383 pages

**DECIDER**  
by Dick Francis

Michael Joseph £14.99, 278 pages

Miss Smilla pursues the mystery with the passion of the outsider and the expertise of her northern upbringing, loving the snow and understanding it as "a symbol of the light of truth". The finely detailed descriptions of her investigation, which takes her deep into the Arctic, triumphantly creates a world that is new to us, shocking, moving. The first half of the tale, set in Copenhagen in winter, can scarcely be faulted: the second half, involving a buried meteorite, Lovelock's Gala Hypothesis, Nazi expeditions, parasitic tapeworms, becomes more conventional, over-extended, a bit of a disappointment. But Miss Smilla is a character you never met before.

I spotted Walter Mosley's first - *Devil in a Blue Dress* - on these pages a couple of years ago and I insist again that he's a big talent. Here, after *A Red Death* (just out in Pan) is the third of his chronological sequence of the adventures of Easy Rawlins, the black private eye in post-war Los Angeles, who operates in mean streets where not even Philip Marlowe dared to go.

Raymond Chandler, you remember, wrote in a famous essay about those same streets that his hero would have to be "the best man in the world". (Note what must have been a deliberate reference in John le Carré's latest best-seller to his villain being "the worst man in the world.") Easy Rawlins is a splendid, lazy, cowardly, trouble-evading black man who loves children and booze and is amassing a secret fortune in real estate, and yet he is unmistakably a moral figure - you can believe that he actually is "the best man in the world".

Here, in *White Butterfly*, Easy has reached 1956 in Watts and is dragged in to help track down a serial killer. His best friend is still the villainous Moose, and Easy is still a family man, tending his garden, but this time he's a bit too deep into the bottle and his marriage is on the skids, so it's a darker story than before.

Years ago Gavin Lyall wrote superior, laconic thrillers about battered freelance pilots flying battered small planes out of remote and battered airstrips. He then got into a conventional Whitehall/spook series about a not-very-interesting Major Maxim. His new idea, in *Spy's Honour*, is to go back to the earliest days of the Secret Service, before the First War. This 1913 yarn of bumbling amateur spies in a pre-racejingo drama deserves to work better. My notes read, in order - "Promising" - "Preposterous" - "Too long" - "Confusing" - "Boring".

There is nothing either helpful or positive to be said about the new Dick Francis. *Decider* is his thirty-something racing thriller, though this time it doesn't have much about horses. The subject is a family drama about ownership of a racecourse. The prose is as clumsy as ever, the characters as stereotyped. His fans will not object.

JDF Jones



**MISS SAMPLAS  
PEEKING FROM SNOO**  
by Peter Hoeg  
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by Walter Mosley  
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## COLLECTING

# In the Cotswolds, the buying is easy

Antony Thorncroft investigates an area of rare charm where antique hunters can find almost anything

**A** QUICK foray recently into this most bucolic of regions to test the temperature of the antique trade produced a fairly consistent response. Most dealers are happier with business than they were a year ago, when trade was negligible, but there is no consistency to the revival.

A few excellent weeks can be followed by a dead period. One day, that almost extinct species, the American dealer, turns up and walks out with £10,000 worth of goods; then, for the rest of the week, the only visitors are coach parties of OAPs sheltering from the rain. One dealer reports that turnover is up by 50 per cent in the first half of the year while another struggles on, taking £100 a week on a shop that costs £1,000 a week to keep open.

At least most of the serious dealers have survived. Few have thrown in the towel in the past year and most agree that, while sales are increasing only slowly, there has been a considerable rise in enquiries. Experience suggests that many of those potential buyers, rummaging over a photograph of a Georgian dresser or a Victorian desk, will eventually take the purchasing plunge.

The Cotswolds offers the highest concentration of antique dealers outside London. Within a few pleasant miles, well over 100 present antiques which often approach the best of the capital in quality - and, equally, often seem to carry lower price tags.

This could be because Cotswold dealers operate on lower overheads and have not such a commercial approach to the game. They enjoy living in the area, and trading in antiques offers a wonderful excuse for an attractive life style.

Not that they are unprofessional. Traditionally, the Cotswolds was the great clearing house of the British antiques world, the place where runners - those sharp-nosed individuals who grab a living buying antiques cheaply at obscure auctions or from small dealers, and then pass them up through the trade - called in regularly to sell, while the London, American and continental dealers made frequent visits to acquire stock.

Today, the Cotswold dealers

sell much less to the trade, which is suffering badly from recession - and the restraints of bank managers - and is not in a buying mood. Instead, private collectors have become the main customers.

They are also becoming more demanding. To make a sale these days, dealers must ensure that their goods are repaired and polished to perfect condition. They must also be prepared to let the customer try out the item in their home; offer payments by instalment; consider taking antiques in part exchange; provide free delivery; and often guarantee to take the object back any time in the future at the sale price.

All these services - added to the fact that prices have, at best, held steady over the past year and, for lower quality antiques, have actually fallen - mean it is an excellent time to buy. Some dealers are becoming more like interior decorators, working for a group of regular clients with a home to furnish, or a hotel to refurbish, seeking out a specific type of antique to fit a specific slot.

One dealer gets by with half a dozen loyal private customers; another works mainly with American interior decorators. A great deal of business is now done through sending photographs of choice items to buyers who might be interested. This saves both time and money.

It is one of the ironies of the Cotswold life that while August sees the small, picturesque towns like Stow, Cirencester, Broadway and Burford awash with tourists, it is the quietest selling month of the year. Very occasionally, a tourist, usually from the Continent, makes a big purchase, but most of the passing trade is looking, at most, for a holiday memento costing £100 or less.

With business at base relatively quiet, the Cotswold dealers are more likely to be found at fairs. One leading dealer, Duncan Baggott of Stow, tried his first-ever fair, the BADA at the Duke of York's, in May and, like many fair-goers, found the main benefit was in later enquiries back at the shop.

John Noot of Broadway is the epitome of the modern dealer in concentrating on fairs and giving up his prize



Left: 'The Proposal', a turn of the century painting by Sidney Kendrick and, right, 'Portrait of a Mother and Daughter', from around 1840, by James Leakey. Both from John Noot Galleries



retail site. He reckons he can take space in 10 good fairs for the annual cost of his former high street outlet's overheads, and do more business. He has kept a small space in the town but his main stock of decorative paintings is on show at his new home, a manor house on the outskirts of Broadway.

Like all dealers, Noot says the main problem at the moment is a scarcity of good objects to buy. Only in *extremis* are owners disposing of worthwhile antiques at this time of low prices: they are waiting for an upturn. Even the cash flow problems of Lloyd's Names have failed to unleash many fine objects; and although some Cotswold dealers have lost the custom of beleaguered Names, Lloyd's has not yet proved a major obstacle to recovery.

If the house market, and the opportunities for refurbishing, continue to improve; if the rising stock exchange index increases disposable incomes; if, above all, the antique buying classes feel more confident about the economic future - then, the tentative recovery of the past six months will turn into a firmly based revival.

No one should be shy of entering the shop of a Cotswold dealer; in a concentrated area, there is a wealth of choice. Most carry some low priced items and most will be prepared to consider an offer below the labelled price (although some consider this boorish behaviour on the part of a customer at a time when profit margins can be as low as 20 per cent). In the Cotswolds, you can choose between dozens of 18th century tables; Regency bookcases; Gothic chests; country dressers; and decorative clocks, pots, and pewter. Yet, there is individuality within the variety.

Take Stow, which has more than 30 dealers of varying importance. Baggott has one of the largest stocks in the region, with more than 5,000 items for sale, the great majority priced below £20,000. He used to concentrate on supplying the trade but now the public is his best customer. They want useful objects, like chairs and chests, preferably costing less than £1,000.

Baggott stocks everything in his two Stow retail outlets, from Chippendale bookcases, to a Gillow desk of 1884, to a board showing the rules for the servants' hall at Woburn in

for his distinctive Regency and First Empire furniture and decorative objects. And around the corner is Christopher Clarke, who always carries eclectic rarities like 18th century fire screens, Venetian busts, and 19th century American door-stops in the shape of a boot.

The great rival to Stow in terms of shops is Burford. Once again, the variety is astonishing. Manfred Schotten is one of the few Cotswold specialists, being a leading dealer in sporting antiques. Here, you can buy an early 20th century golf club for £20

room the land smelling out antiques of variable quality.

Down the way from Swan, David Pickup sells an unusual range of items, from late-19th century arts and crafts furniture, preferably by named makers, to early-19th century items like an 1822 table, one of the first to be created in the Elizabethan revival style (£18,000).

Across Burford High Street is Robin Shield. Among the many off-beat items in his stock is a large refractory glass on a bronze stand, dating from around 1730. It is the largest of its kind to survive and probably was used for scientific experiments. Now, it will delight interior decorators. On the edge of Burford is Gateway Antiques, a great barn of a place with a bewildering stock of modestly priced antiques. The owners, Paul Brown and Michael Ford, spend much of their time on the road acquiring hundreds of pieces which they aim to turn over quickly at a modest profit. Prices rarely exceed £5,000. The choice is vast, and it is not just Victorian repro chests or Georgian commodes. Gateway culls 15 auctions a week for interesting stock.

A few miles away, Witney Antiques is a complete contrast. In the upstairs gallery at Gateway, you can buy 1950s' tables for £200 or less. At Witney, you get classic Georgian furniture of Bond Street quality. The prices bring you down to earth, but every piece is presented meticulously and shows class. In stock at present is an ivory-venered bureau bookcase with silver mounts made in India late in the 18th century for the likes of Robert Clive; a cabinet completed in China and priced at £10,000; and any number of gleaming Georgian bureaux and chairs. Witney

dealer operates from a row of Tudor mansions in the High Street.

In its day, H.W. Keil was a regular port of call for the rich Americans who disembarked from their transatlantic liner at Southampton in the 1930s and arrived in London via the Cotswolds. The Queen Mother, when Duchess of York, was a Keil customer.

Some of the items in the vast stock carry a silver star, which means they are not for sale because they could no longer be replaced. They include a 15th century food cabinet, although you can buy a sedan chair. Keil is a step back into the past, with antiques ranging from Georgian to the oldest and rarest.

A bonus from antique hunting in the Cotswolds is that you get to visit some attractive towns and villages. Cirencester might not get the coach parties that throng Broadway and Stow, but it has a composed charm. It also has some good antique shops, notably William Stokes, yet another dealer trading in early furniture who is adept at stocking a 16th century farm house or a 17th century manor house with period furniture.

Along the way, too, is Rankin Taylor, which specialises in rarities as well as antiques that strike the fancy of its proprietor, Leslie Taylor. At present, these include some late-17th century sculpted heads, created in the fledgling New England, to soured 19th century port bottles which convert into excellent decanters.

Some of the Cotswold towns, notably Stow and Burford, seem to be given over entirely to antique shops. But there are also important stopping places in smaller villages like Winchcombe, Taddington, Tetbury and Fairford, where Richard and Sheila Chester-Master go in for his and her shops. His features traditional Georgian mahogany; Hers has French country furniture and faience. Alongside each other, they sum up the range and charm of what the Cotswolds can offer.

'Erratic' and 'patchy' and 'up and down' - this is the chorus of the dealers

1788, to glass walking sticks. Next door on one side is Huntington Antiques, which has one of the best stocks of early - up to Queen Anne - furniture in the UK. This is the place for an early-16th century Flemish pulpit, once in the Cloisters Museum in New York; or a 13th century Limoges enamel book cover priced at £75,000; or a Charles II tester bed.

On the other side is John Davies, one of the few specialist picture dealers trading in the Cotswolds. They have been hit hardest by the recession (wrongly or rightly, buyers feel they can live without more pictures while still needing tables and chairs), but Davies has responded by moving into the 20th century, and modern, period.

Across the way, Antony Preston tried trading from the King's Road in London recently but he prefers Stow

or an acclaimed Tom Morris club of the mid-19th century for £3,000; an old croquet set for £400; and an Eton boat of the 1890s for £220. Anyone bored with 18th century brown furniture will be refreshed by the Schotten stock.

Actually, one of the attractions of the Cotswolds is that it is not over-burdened with sedate, refined, Georgian pieces. Swan Antiques deals in early country furniture, and proprietor Dominic Pratt seems positively to enjoy bagging out over his modestly priced stock.

Here, you might buy a William and Mary Bible Box for £700; a 1790s' bidet with its original, decorated receptacle, for £590; a Queen Anne dresser for around £4,500; and a 10 ft long late-Georgian table for just over £4,000. Pratt likes to turn over his stock quickly, and still gets calls from the families of Irish tinkers who



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## ARTS: EDINBURGH FESTIVAL

Off the Wall/Antony Thorncroft

## The sun shines on Edinburgh



Donald Maxwell (left) as Falstaff with John Harris and Christopher Hall

Opera/Max Loppert  
A worthy Falstaff

THE FINAL big offering of this year's musical and operatic programme at Edinburgh provides one of the undoubted climaxes of an otherwise not especially climatic festival season. It is *Falstaff*, the last Verdi opera, which therefore supplies a peculiarly appropriate "last movement" to a festival that had Verdi as one of its thematic strands, and that earlier had billed (in concert form) the very first Verdi opera, *Oberto*.

Since *Falstaff* arrives at the Playhouse in a revival of the 1986 production that Peter Stein made for Welsh National Opera, there is an added thematic appropriateness to the offering. Stein has figured as one of the four international-heavyweight theatre directors to be spotlighted here this year (Malcolm Rutherford wrote in yesterday's paper of his Salzburg staging of *Julius Caesar* in its Edinburgh transposition).

This response to Verdi's "miracle of grace, generosity, confidence, fine working, and marvellous invention" (Andrew Porter's phrase in an Edinburgh programme book essay) has all those qualities: it explains why Stein is worth the fuss people have the past two decades been making over his work. There should perhaps be one caveat. Although the revival comes up unstaged, its working is not always fine without qualification: pauses for scene-change take too long, and the relative chumminess of the Windsor Forest setting is still unimproved.

But the ensemble exuberance and ripe physicality of characterisation remain irresistible. Above all, this refers to Donald Maxwell's Falstaff, who glories in his girlish and animal spirits even more untrained than five years ago; but it also concerns the sheer "go" of WNO's female quartet. This opera treats many themes in its survey of human affections; one of them is the eternal stupidity of men and the no-less-eternal

forgiveness of women, a theme handled by Stein with sharper point than in any other *Falstaff* I know. The leader of the quartet, as in 1986, is Suzanne Murphy, witty, plucky and altogether adorable as Alice Ford in spite of an announced cold. Other well-remembered performances include Nuccia Focile's spiky Nannetta, and the Cato, Randolph and Pistol of Peter Brondor, John Harris and Geoffrey Moses. The newcomers lend fresh lustre: Claire Powell's unusually youthful, sensuous Quickly, Paul Charles Clark's sweet-toned Fenton, above all Bryn Terfel as a Ford of dark magnificence.

In this (for *Falstaff*) huge theatre the shine tends to rub off the orchestral sound. That said, the conducting of Richard Armstrong, WNO's former chief, displays mastery still more substantial than in 1986: the opera is taken steadily, with care for verbal clarity and meaning but with no sacrifice of comic zest. Only one more Edinburgh *Falstaff* (tonight), then the revival forms part of WNO's autumn repertoire, and can thus be more widely enjoyed.

*Falstaff* is sponsored by Bank of Scotland, Requisition by Scottish Power

EVERY festival has its crisis points but perhaps the worst for Brian MacMaster, supreme at the Edinburgh Festival, was last Tuesday; the sun shone remorselessly for the first time in months. Looking down on the vast looking hall at the Festival HQ, where just one punter was buying tickets, you saw his problem.

Fortunately it would take a heat wave of Saharan proportions to scupper the financial success of this year's Festival, which ends tonight. The box office has already taken over £1.5m, and although its target is £220,000 higher than last year, it seems certain MacMaster will bring this, his second Festival as director, safely home within budget.

This is a great achievement. On the international stage Edinburgh is only matched by Salzburg. It mounts the same number of productions, 170 this year, and must sell the same number of tickets, 200,000; but Edinburgh lasts just three weeks, rather than Salzburg's five, and operates on a much smaller budget of £4.5m.

Apart from the sudden sunshine the Festival has not been without its other problems. The mysterious fire which allegedly damaged the back stage at the Playhouse Theatre undoubtedly hurt the ticket sales of the Canadian Opera, the only big visitors not to achieve their box office target: which was ironic since their double bill of *Bluebeard's Castle* and *Ernani*, directed by Robert Lepage, was perhaps the greatest artistic success of the Festival.

There was also the little matter of three conductors and a leading soprano crying off at

the last moment, and the stranding of the 250 strong cast of *Julius Caesar* in a foreign airport overnight. Then there were the critics, but MacMaster thinks that productions such as Peter Selvar's *The Persians*, which split critics and audiences down the middle, achieved exactly what was needed by causing controversy. There was less dispute that the Festival's opening concert, and James MacMillan's new opera *Tourist Variations*, were dead in the water, but the dance troupes scored with the audi-

ences. MacMaster, who gives the impression that if he worries about anything, he worries internally, has already shifted much of his attention to the 1994 Festival. The only certainties are that Mark Morris will be bringing his dance company back again to present his ambitious huge work *L'Allegro*; that, after the appearance of Peter Stein's Salzburg Festival production of *Julius Caesar* this year, there will be another joint venture with Salzburg; and that Scottish Opera will

continue to feature in the Festival's plans. Much still awaits selection. MacMaster was forced to pull a planned opera from the 1993 lineup just before the programme went to press because its opening night in Paris was an artistic disaster (which accounts for the shortage of opera), and in an era when foreign governments can no longer afford to subsidise visits by their artistic elites a festival director operates on a much shorter time scale and devotes more time to joint productions

and local talent. MacMaster faces a daunting new challenge in devising the 1994 Festival. The completion, at last, of Edinburgh's "opera house", the Festival Theatre, next spring, brings problems, along with the largest stage in the UK. It adds another 1,800 seats to fill nightly, boosting the size of the Festival by almost 20 per cent. With the Festival's major paymasters, the local and regional councils, the Scottish Arts Council, and sponsors, unlikely to have more cash available next year,

Theatre/Malcolm Rutherford  
Teuton with a light touch

stickily end. He belonged to an old officer family, disliked the army, left it for the civil service which he liked no better, was spurned by Goethe, finally ran out of money and entered into a suicide pact with the wife of an official in Berlin in 1811 when he was only 34.

Most of his life was spent writing: plays, literary theory and journalism. He was the founder of the first German daily newspaper, the *Berliner Abendblatt*.

Of his wit and erudition there can be no doubt. *The Broken Jug* brings the two together. On one level it can be seen as a simple comedy about the wayward course of justice in a village in the Netherlands around the beginning of the 19th century. Yet, just as pleasing, there are other dimensions. Two of the principal characters are called Adam and Eve. For the play is also about the fall from grace and how to get back to it. Moreover, Adam, the local judge, is based on Falstaff. There is a touch of Dogberry in the court scenes. Molière never seems far away and you could say *The Broken Jug* is one long Canterbury Tale.

Yet if Kleist drew heavily on past writers, future central European writers certainly drew on Kleist. If you see *The Broken Jug*, you will recognise Kafka as a disciple. There is also plenty of Kleist's legacy in the lighter side of Brecht. The truly wonderful aspect of the play and the production, is the lightness of touch. Yesterday I criticised Peter Stein's production of *Julius Caesar* for its Teutonic heaviness. Today it gives me great pleasure to report what I always knew: namely, that the Germans are not always like that. The play is good without being exceptionally so, though it does have some clever twists, especially at the end when it becomes clear that the search for justice over who broke the jug will go on to a higher court. But if there is skill in the storytelling, the

great virtue is in writing parts for actors. Even the smallest characters have their moments, and know how to take them. There are maids almost without speaking parts: Langhoff lets them shine as they pass through with an axe to cut the legs, or sometimes with chicken feathers in their hair. Of the larger parts, watch (it is impossible not to) Gudrun Ritter as Frau Martha, the woman whose jug was broken and persists in her complaint. You will be riveted by the others as well, but the crowning triumph belongs to Langhoff who resists the temptation to turn the visiting magistrate into an over-heavy bureaucrat. Other German directors would have made him an inept Nazi. Here, as played by Klaus Piontek, he is ultimately a kindly figure who mellowly when offered wine, recognises the origin and the vintage and never loses a sense of fairness. This is a very humane play.

Fringe Event/Alastair Macaulay  
Strange soirée

EVERYTHING about this story is true, and all of it is quintessentially Fringe. You go to a luncheonette on Monday at the Assembly Rooms. It turns out not to be happening that day, because its cast has the day off on Monday. So you squat on some steps and use the time to work out your itinerary. Two eager guys from Alaska stop and ask your advice about what to see. A fatigued Scottish journalist comes up and urges you to see a show which is closing tomorrow. He does not know if he likes it or not, but he thinks it is kind of interesting, and he wants to know what you think. It is called *Soirée*, it is at the Demarco Gallery (where you have never been), he tells you that the phone number listed in the official brochure is wrong.

You ring the number he gives you. It is wrong, you use directory enquiries, you get the right number, the Demarco people tell you when the show is on. You rearrange your itinerary some more, you ring the Demarco, you ask for a seat for the luncheonette show tomorrow. Mr Demarco himself (for it he) tells you that he will endeavour to squeeze you in.

The next day, you arrive at the Demarco three minutes late, because you have been held up by an overlong morning concert. The guy at the box office tells you that you might just be in time. This actually means that everything is running 15 minutes late and you have to wait 10 minutes in a chilly corridor. People pass the time by talking about Susan Sontag choosing to direct *Waiting for Godot* in Sarajevo. The woman who joins the queue after you looks radiant and cries "This place must have the best food in Edinburgh!" You do not have time

for food. No-one near you knows anything about *Soirée*. By the time you get in there are no programmes, if there ever were any. *Soirée* turns out to be one of those sick-soul-of-Europe studies in decadence, but it is also an unusual piece of word-play. So you squat on some steps and use the time to work out your itinerary. Two eager guys from Alaska stop and ask your advice about what to see. A fatigued Scottish journalist comes up and urges you to see a show which is closing tomorrow. He does not know if he likes it or not, but he thinks it is kind of interesting, and he wants to know what you think. It is called *Soirée*, it is at the Demarco Gallery (where you have never been), he tells you that the phone number listed in the official brochure is wrong.

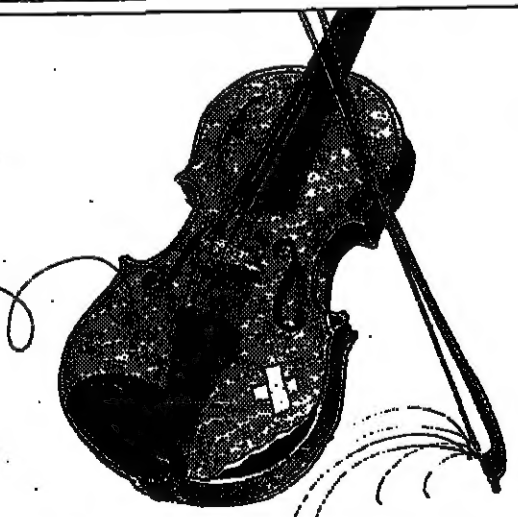
When she turns round, it is as if the little sister from Chandler's *The Big Sleep* had wandered into *Les Liaisons Dangereuses*. She has long fair hair, bee-stung cherry lips, and smoky blue eyes (with heavily charcoal-lashed) that look tear-laden and seldom focus on anything you can identify. Her neck droops, her spine droops in a swan-like S-bend, she might be sleepwalking, or drugged, or a nymphomaniac, and everything she does is utterly riveting. *Soirée* seems really to be about the horrid, voluptuous masochism of decadent petty souls. The three performers waste time elegantly and pointlessly, they indulge themselves idly, they build up obsessions and tensions over no good cause. It is the fair-haired girl who makes all this important. Towards the end of the work, she advances towards the male performer she plants an extended foot on his neck and then, calmly, she falls slowly backwards on to the floor; where she opens her legs, and then starts to pound his chest with her feet. *Soirée*

Alastair Macaulay follows a mysterious trail and is rewarded

Woman to appear. Strange, attractive, and looky, she enters, with her back to us, sideways, slowly (like the Dying Swan). Dressed in an 18th-century gown, barefoot, she shuffles along in a series of varied tiny steps, a kind of baroque boogie that sends ripples upwards through her thighs and her crumpled. When she turns round, it is as if the little sister from Chandler's *The Big Sleep* had wandered into *Les Liaisons Dangereuses*. She has long fair hair, bee-stung cherry lips, and smoky blue eyes (with heavily charcoal-lashed) that look tear-laden and seldom focus on anything you can identify. Her neck droops, her spine droops in a swan-like S-bend, she might be sleepwalking, or drugged, or a nymphomaniac, and everything she does is utterly riveting. *Soirée* seems really to be about the horrid, voluptuous masochism of decadent petty souls. The three performers waste time elegantly and pointlessly, they indulge themselves idly, they build up obsessions and tensions over no good cause. It is the fair-haired girl who makes all this important. Towards the end of the work, she advances towards the male performer she plants an extended foot on his neck and then, calmly, she falls slowly backwards on to the floor; where she opens her legs, and then starts to pound his chest with her feet. *Soirée*

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## Videos/Nigel Andrews

# Violence for every taste

mundane, de-romanticised. Lang's 1931 masterpiece, based on the story of a true mass murderer, pushes its humdrum psychopath (Peter Lorre) through a mazy, dim-lit Germany almost palpable with foreboding. This human insect seems as much a creature of his time as the banal, deranged suburban couple in *The Honey-moon Killers* who murder lonelyheart victims in a sickly America (1968) trapped

*'The main motif is a fascination with murder as compulsion'*

between the sentimentality of the Flower Power era and the nightmare of Vietnam.

Today's modern-dress movies of violence are neither romantic like the Coppola-Spencer nor psycho-sociological like *Lang Kastle*. In *One False Move* (2003), the drug-dealing crooks who viciously murder a group of guests at a party before escaping to cue the film's chase story are self-made psychos as driven and reasonless as Shakespeare's Iago. And *Man Bites Dog* (Tartan) does not finger "society" as the corrupter of its young anti-hero: only the man himself as he bounds from one "snuff" off to the next, showing off for his camcorder-wielding friends. Made by Belgian students on

But take a comfort: even in bloody September there are gore-free videos. Especially recommended: two golden-olde comedies and one sparkling modern bio-pic. This last is Derek Jarman's *Wittgenstein* (Cognosceur): absurdist, playful, witty in its account of the philosopher and his social and cerebral frolickings with the Bloomsbury crowd (B. Russell, J.M. Keynes). The oldies are both from director Howard Hawks. Only *Angels Have Wings* (Columbia TriStar) is Cary Grant, Jean Arthur and Rita Hayworth doing what a man (and two women) gotta do. The other is *His Girl Friday* (MCA), a screwball comedy, brain-ally and hearts be broken. And *Twentieth Century* (Columbia TriStar) has glorious Carole Lombard and more glorious John Barrymore boarding the titular express to cross swords and wits for two hours of high — no, highest — Hollywood comedy.



# Old masters in Venice

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opera binoculars, the airborne camera-arabesques around banquets or tea parties.

There are still, for me, reservations. The film seems at times an awkward marriage of kinetic visuals with choked-back performances. Every star is genteelly strangled with a mid-Atlantic accent; and every star trails clouds of Pavlovian association with past period-pieces. Many of my colleagues raved, but until a second viewing I prefer to keep a

An even greater distance is required - positively Jamesian - between the sane critic and some of the rubbish we have seen at Venice. Lilliana Cavani's *Where Are You? I Am Here?* is a romance of the aurally challenged: involving a deaf boy, a deaf girl and a mother who is defended by sentimental superior pleading. In Carlos Saura's *Shout!* a brutally raped circus sharpshooter fills her assassin's cup of lead and then spends the remaining story dying slowly, much like the melodrama-raped film. And in Bertrand Blier's "comedy" *Un Deux Trois Soleil*, the hills above Marseille are alive -

though barely - with the usual job-lot of wacky outrages and reversals this French director specialises in: including parent-swapping, group rape and bewildered guest stars (here Marcello Mastroianni) looking

Though this is a festival of the 1970s, the opposition, one French film has impressed and one US film has taken a pratfall. Aline Isserman's *L'Ombré Du Douce* is a delicately ambiguous story of child abuse, set as much in the heroine's fantasy-prone mind as in her scarily-etched reality. The most powerful of the American clincher is *Open Coughs Get The Blues* from Gus Van Sant, the gifted director of *My Own Private Idaho*. A bunch of Sapphic cowgirls chewing on 1960s dialogue in a no-address, no-narrative prairie-land holds less charm than the more surewag pile-up of Shakespeare's gay rights and existential comedy.

## Opera/David Murray

## The factory Bacchae



membership of her son when he spied upon their rites in female garb. Yet the guts of the action - rather literally - remain in decent obscurity. Freeman's solution is to have them vividly enacted, even while the ghastly facts are narrated.

Partly that works, partly not. Sometimes it marginalises Euripides' story-telling, which is potent enough on its own; on the other hand, what we see is inevitably milder than what we're told. Thus, the Bacchantes' hauling-down of Pentheus from his pine-top vantage is strikingly represented – but in desperate flight all his

There are fraught dialogues between Pentheus, the severe young King of Thebes, and the disguised god Dionysus who comes to draw Theban women (including the King's mother Agave) away to nameless Bacchic rites on Mount Kythæron; and later a fine, agonised scene for Agave, upon learning that she herself led the frenzied dis-

limbs are visibly hale, when we know already that an arm has been torn from his body. Gory Grand Guignol would be quite wrong, but the mismatch is distracting amid Freeman's relentless insistence on raw physical involvement. Again, when he understands

**O**NCE ROCK and roll was the medium through which teenagers shocked their strait-laced parents. But a wasted youth cannot compete in the image market with the two wasted decades that are

bly wanted the trophy that poor, dazed Agave cradles in her arms - she thinks it a lion's head: it is her son's - to be more than a papier-mâché bust à la Strauss's *Salome*, he had his Bacchantes bury the rest of Pentheus's naked, supine body under huge stones.

Pop Music/  
**Big St**

first. Balsa-wood they might be, but among the audience (at least the male half) that operation probably induced more gut-dismay than Agave's dreadful recognition later.

Still, Veronica Duffy's Agave is brilliantly taut-to-breaking-point, and as Pentheus Peter

**Peter Berlin**  
**ar live**

Sullivan has all the right youthfully haughty, truculent, self-righteous vulnerability. Grandfather Cadmus are ancient, near-gaga Tiresias are sharply captured by Derek Smith and Jerome Willis, with David Hobbs a staunch Messenger. The variety of Xenakis's choruses, attentive to Euripides' prosody, is somewhat diminished by unvaried accompaniments — ritualised, very high and low winds, asymmetrical bursts of percussion, though the Premiere Ensemble under Nicholas Kok drives them cleanly home.

Dionysus is the dark, towering, muscular Joe Dixon: charismatic, yes, but hardly the teasingly androgynous ephebe of the play — nor the Stranger of the *King Roger* he inspired from Szymanowski, nor of the Henze and Buller operas. Nevertheless Freeman's production has a rare strength: he gives equal, dispassionate weight to all the other factors in this

For a 20th-century audience, it ought to have some implicit moral: about the repression of women, or the impotence of

## Pop Music/Peter Berlin

# Big Star live

Auer and Ken Stringfellow, members of Seattle band the Posies, on bass and guitar.

The two Posies looked more like early-70s escapees than Chilton. While he stood chain-smoking at the side of the stage, they bounced enthusiastically, tossing their long hair back, a powerful advertisement for regular washing and conditioning. Chilton readily shared the murky blue and red spot-lights. The two youngsters sung the songs Bell sang. The band displayed all the virtues of a good American bar band:

At the root of the Chilton legend is the idea that he is a songwriting genius. Here were all the fans' favourites. Pop songs with the maddeningly familiar sound of the hits they never were: "The Ballad of El Goodo", "Thirteen" and "September Girls" (covered by the Bangles). At its best, the band played the strongest tunes with muscular conviction, at its worst it descended into chugging boogie.

revealing (no doubt self-consciously). "You're Strange", one of the more obscure works in the T Rex canon, "Slut" from Todd Rundgren, master of pop artistry, and a clunking cover of "Kansas City" from the rich ersatz rhythm and blues songbook of Lieber and Stoller. Reed and Iggy Pop can fight over the titles "godfather of punk" and "grandfather of grunge", but Chilton, emerging as if from a time warp, champions a tradition that has largely withered: the clean-cut pop rock of the Beatles imitators. At times Chilton, the pop singer with a rock and roll lifestyle, adds a darker shading, a touch of chaos and dissolution colours his best songs. There were moments in *Clapham* when the material did justice

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# TELEVISION

BBC1	BBC2	LWT	CHANNEL4	REGIONS
<p>7.00 <i>Center Pages</i>, 7.25 <i>News</i>, 7.30 <i>Prosecco</i>, 7.50 <i>The AS-Navy Popeye Show</i>, 8.10 <i>Midweek Movie</i>, 8.30 <i>Peter Pan</i> and the <i>Princess</i>, 9.00 <i>Parade</i>, 10.12 <i>Weather</i>.</p> <p>10.15 <i>Grandstand</i>, introduced by Steve Rider, including at 10.20 <i>Stevie</i>, the World Champion from Glasgow, Gerald Street and Chris Bailey commentate. 10.25 <i>Cricket</i>: <i>West Indies v Warwickshire</i> in the final from London, Commentary by Tony Lewis, Richie Benaud, Jack Bannister, Ray Illingworth and David Gower. 12.45 <i>News</i>, 12.50 <i>Football Focus</i>: Highlights of the week's action from the FA Premier League. 1.25 <i>Cricket</i>: Further coverage from London's 1.25 <i>Racing from Haydock Park</i>: The 2.00 <i>Stanley Leisure Group Handicap</i>, 2.05 <i>Cricket</i>: Continued coverage, 2.25 <i>Racing</i>: The 2.30 <i>Preserving Nature's Goodness</i> <i>Red Sticks</i>, 2.55 <i>Cricket</i>: 3.25 <i>Racing</i>: The 3.30 <i>Haydock Food Sprint Cup</i>, 3.35 <i>Rowing</i>, 3.45 <i>Cricket</i>, 4.00 <i>Rowing</i>: Coverage of Olympic champions Steve Redgrave and Matthew Pinsent competing in the <i>Coxless Pairs</i>, 4.10 <i>Cricket</i>, 4.40 <i>Final Score</i>. Times may vary.</p> <p>5.15 <i>News</i>, 5.25 <i>Regional News and Sport</i>, 5.30 <i>Dropout Double Bill</i>, 5.45 <i>Big Break</i>.</p> <p>6.15 <i>Noel's Garden Party</i>, chaotic fun and games with Noel Edmonds. <i>Open All Hours</i>: <i>Conor</i> sports comedy, with Ronnie Barker and David Jason.</p> <p>7.25 <i>Challenge Annika</i>, Annika Rice attempts to bring more seemingly impossible projects to fruition.</p> <p>8.15 <i>Film: Jaws: The Revenge</i>, The family of sheriff Brody, the nemesis of the shark in the original film, are terrorized by another great white. Michael Caine stars (1987).</p> <p>8.40 <i>News and Sport</i>, 8.50 <i>Cricket</i>: <i>West Indies v Warwickshire</i> in the final from London's 8.50 <i>Cricket</i>: Continued coverage, 9.15 <i>Cricket</i>: Further coverage from London's 9.15 <i>Racing from Haydock Park</i>: The 9.20 <i>Stanley Leisure Group Handicap</i>, 9.25 <i>Cricket</i>: Continued coverage, 9.45 <i>Racing</i>: The 9.50 <i>Preserving Nature's Goodness</i> <i>Red Sticks</i>, 10.15 <i>Cricket</i>, 10.40 <i>Rowing</i>: Coverage of Olympic champions Steve Redgrave and Matthew Pinsent competing in the <i>Coxless Pairs</i>, 10.45 <i>Cricket</i>, 11.10 <i>Final Score</i>. Times may vary.</p> <p>1.15 <i>News</i>, 1.25 <i>Regional News and Sport</i>, 1.30 <i>Dropout Double Bill</i>, 1.45 <i>Big Break</i>.</p> <p>2.15 <i>Noel's Garden Party</i>, chaotic fun and games with Noel Edmonds. <i>Open All Hours</i>: <i>Conor</i> sports comedy, with Ronnie Barker and David Jason.</p> <p>3.15 <i>Challenge Annika</i>, Annika Rice attempts to bring more seemingly impossible projects to fruition.</p> <p>4.15 <i>Film: Jaws: The Revenge</i>, The family of sheriff Brody, the nemesis of the shark in the original film, are terrorized by another great white. 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As the atmosphere heightens in the climax to the 60-over-per-side competition, which of these captains will have the greater influence on the proceedings and lift the trophy for their respective sides?</p> <p>7.30 <i>News and Sport</i>, 7.45 <i>Cricket: NatWest Trophy Final</i>, Sussex v Warwickshire. Live coverage from Lord's. Both captains played a important role in the same-day final, with Alan Wells holding the Sussex batting together and Derek Reeve taking key wickets for Warwickshire. As the atmosphere heightens in the climax to the 60-over-per-side competition, which of these captains will have the greater influence on the proceedings and lift the trophy for their respective sides?</p> <p>8.55 <i>Frost in the Air</i>, David Frost introduces excerpts from memorable interviews over the past 30 years. The first programme of the series features a discussion with former surgeon Christian Barnard on the ethics of heart transplants, and a film of John Lennon and Yoko Ono filmed at the height of their peace campaign in the late 1960s. Onon Wells gives his views on bullying, and playwright Tennessee Williams allows viewers a new insight into his life.</p> <p>9.50 <i>Nice Town</i>, Tennessee reaching point when Linda suffers a nervous breakdown and reveals that Angela is the child of her husband's brother. Final episode of Guy Hibbert's offbeat drama, starring Paul McGann, Joseph Simon, Gwyneth Strong and Philip Davis.</p> <p>10.50 <i>Video Discs</i>, new series. Candid personal accounts, beginning with the thoughts of Brenda Nixon, a Yorkshire miner's wife, on the likely long-term effects of the recent pit closures in Britain.</p> <p>12.15 <i>Cricket: NatWest Trophy Final</i>, Sussex v Warwickshire. Highlights from Lord's.</p> <p>1.15 <i>On the Air</i>, Lester subdues Betty's on-air date with the station's chief. Ian Buchanan stars in the final episode of the series.</p> <p>1.45 <i>Close</i>.</p>	<p>6.00 GMTV, 6.25 <i>What's Up Doc?</i>, 11.30 <i>The ITV Chart Show</i>, 12.30 <i>Open Spring Show</i>.</p> <p>1.00 <i>ITN News</i>, 1.05 <i>London Today</i>, 1.10 <i>At the Races</i>, 1.15 <i>Highlights of the Brussels Grand Prix</i>, introduced by Jim Rosenthal.</p> <p>2.10 <i>Movies, Games and Videos</i>, Review of <i>This Boy's Life</i>, starring Robert De Niro.</p> <p>2.45 <i>Biggin Hill International Air Fair 1993</i>, The 30th anniversary, plus a celebration of 75 years of the RAF.</p> <p>3.40 <i>WCW Worldwide Wrestling</i>, Ring-side action with the American giants.</p> <p>4.10 <i>The \$84,000 Question</i>, Bob Monahan quizzes contestants on subjects including <i>The Rolling Stones</i>, <i>The Archers</i> and <i>Tarzan</i>.</p> <p>4.40 <i>ITN News</i>, 4.45 <i>London Today and Sport</i>, 4.50 <i>Weather</i>.</p> <p>5.15 <i>Reader's Digest</i>, Candid camera.</p> <p>5.45 <i>Baywatch</i>, Michael Richards his romance with journalist Kaye Morgan. David Hasselhoff stars.</p> <p>6.40 <i>Film: Superman IV: The Quest for Peace</i>, Christopher Reeve does the red cape once more and sets out to persuade the world's superpowers to dismantle their nuclear arsenals - but he reckons without his arch-enemy Lex Luthor, who has created a super-evil equal in strength to the Man of Steel. Comic-strip adventure, also starring Gene Hackman, Jackie Gleason and Dean Cain.</p> <p>6.55 <i>The Bill</i>, DS Pearce believes a stripper while investigating a serious case.</p> <p>6.55 <i>ITN News</i>, 7.00 <i>London Weather</i>.</p> <p>7.00 <i>Film: Lethal Weapon II</i>, Mel Gibson and Danny Glover, as the mismatched police duo, set their sights on a gang of South African diplomats using their political power to begin a drug-smuggling operation. Action thriller, with Patrick Kerr, Jackie Addick and Dennis O'Connor (1989).</p> <p>11.05 <i>Film: Scrooged</i>, Mac West comes out of retirement at Macy's to play a much-maligned holiday ad symbol whose honesty is disrupted by her ex-husband (1978).</p> <p>12.40 <i>The Big E</i>.</p> <p>1.40 <i>Get Stuffed</i>, ITN News Headlines.</p> <p>1.45 <i>It's Starring</i>.</p> <p>2.40 <i>Get Stuffed</i>, ITN News Headlines.</p> <p>3.45 <i>Night Heat</i>.</p> <p>4.40 <i>BPM</i>, Night Shift.</p>	<p>6.00 <i>Early Morning</i>, 10.00 <i>World Sport</i>, 11.00 <i>Gazette's Football</i>, 12.30 <i>The Perfect Ten</i>, 12.30 <i>pm Kiosk</i> (English subtitles).</p> <p>1.05 <i>Film: Tovarich</i>, A Russian couple flee to Paris during the Revolution and take jobs as servants in an eccentric household. Claude Rains and Charles Boyer star (1937).</p> <p>3.00 <i>Racing from Kempton Park</i>, Coverage of the 3.10 <i>Goodfry Hamlyn Handicap Stakes</i>, 3.40 <i>BonusPrint September Stakes</i>, 4.10 <i>BonusPrint Stakes</i>, and the 4.40 <i>Spaithome Handicap Stakes</i>. Commentary by Graham Goodie, Jim McGrath, Lesley Graham, John Tyrrell and John McChick.</p> <p>5.05 <i>Brooklands</i>.</p> <p>6.30 <i>Shoot the Video</i>, New series. Chris Serle discovers how camcorder owners can get the best from their equipment, and looks at techniques to turn home movies into something special. In today's programme he travels to Majorca and focuses on the use of lighting, panning and zooms in holiday films.</p> <p>7.00 <i>The World This Week</i>, The week's international events. News Summary.</p> <p>8.00 <i>Best of Cutting Edge</i>, The progress of 30 volunteers and staff as they attempt the parachute regiment's All Arms assault training course. The short but gruelling programme of activities, which includes numerous speed marches, climbs and endurance races, is on target to be more than half the original and now never to repeat it.</p> <p>8.00 <i>Just for Laughs</i>, Aspiring new comedians from around the world perform at the Montreal 38 Days in Montreal. Established British funnyman Paul Merton, Jeremy Hardy and Owen O'Neill meet up with hopeful newcomers from across the world, including young black comic Dave Chapelle from Washington, and lesbian comedienne Les Delfino.</p> <p>10.30 <i>The Big One</i>, Will James reveals his true feelings for Debbie before it's too late! Last in series.</p> <p>11.05 <i>Film: Hello Hemingway</i>, Drama chronicling the life of a young girl growing up in 1950s Cuba. Laura De La Luz stars (1992).</p> <p>12.40 <i>Film: The Sun Also Rises</i>, Adaptation of Ernest Hemingway's novel about the American adventures of a group of drifters and expatriates during the 1920s. Ewan Flyn, Tyrone Power and Ava Gardner star (1957).</p> <p>3.00 <i>Close</i>.</p>	<p>ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:</p> <p>12.30 <i>Movies, Games and Videos</i>, 1.05 <i>Angle News</i>, 2.10 <i>At the Earth's Core</i> (TV), 3.45 <i>The A-Team</i>, 5.00 <i>Anglo News</i> and <i>Sport</i>, 5.55 <i>Anglo Weather</i>, 11.05 <i>The First Monday</i> in October. (1993)</p> <p>CENTRAL:</p> <p>12.30 <i>Movies, Games and Videos</i>, 1.05 <i>Central News</i>, 2.10 <i>Central News</i>, 3.10 <i>Central News</i>, 4.10 <i>Central News</i>, 5.10 <i>Central News</i>, 6.10 <i>Central News</i>, 7.10 <i>Central News</i>, 8.10 <i>Central News</i>, 9.10 <i>Central News</i>, 10.10 <i>Central News</i>, 11.10 <i>Central News</i>, 12.10 <i>Central News</i>, 1.10 <i>Central News</i>, 2.10 <i>Central News</i>, 3.10 <i>Central News</i>, 4.10 <i>Central News</i>, 5.10 <i>Central News</i>, 6.10 <i>Central News</i>, 7.10 <i>Central News</i>, 8.10 <i>Central News</i>, 9.10 <i>Central News</i>, 10.10 <i>Central News</i>, 11.10 <i>Central News</i>, 12.10 <i>Central News</i>, 1.10 <i>Central News</i>, 2.10 <i>Central News</i>, 3.10 <i>Central News</i>, 4.10 <i>Central News</i>, 5.10 <i>Central News</i>, 6.10 <i>Central News</i>, 7.10 <i>Central News</i>, 8.10 <i>Central News</i>, 9.10 <i>Central News</i>, 10.10 <i>Central News</i>, 11.10 <i>Central News</i>, 12.10 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## Fighting a losing battle

From page 1

react to a woman taking off her shoes in a bus. They might react to the smell of a McDonald's hamburger. For the unstable person who's ready to go over the edge, the mere breath of anything will do it and the responsibility lies with that individual, however demented, or with the little sub-culture that created him: his family, his community."

Craven pinpoints here another area of the censorship debate. Why do we allow censors and media authorities to sit in judgment on cultural consumption habits that should be the responsibility of parents. If we are young, or of ourselves, if we are adults? "The children we're protecting," responds Ferman, "are the very ones who don't have good parenting or a strong community around them. It is the root of their problem."

To the outsider, though, the solution looks just as suspect. Why look to censors as substitute parents? These are people who, if we believe their arguments about depravity and corruption, have been exposed to more vitriolic material than anyone else in the country. Are they morally armoured-plated?

Ferman: "If one has critical viewing skills, one has a layer of defence already. We at the board watch films armed with comparables from other films we've seen; we take notes throughout the viewings. We don't watch coldly like technicians because you can't be one of the things we're assessing is how a film or video acts on the viewer, not just intellectually but viscerally. But we also assess our own viewing experience in the light of the age group for whom the film is intended."

This sounds like an attempt to make a pseudo-science seem a science. It leads to the question: what are the laboratory criteria for judging if a film is harmful? Will Stevenson, head of the British Film Institute, another body that watches over our screen culture (albeit more liberally), say BBFC is almost alone among media watchdogs in the UK in having no published code of practice.

"In broadcasting, you can't get out of the door these days for the volumes of codes and criteria about what is or isn't acceptable. The board has nothing of this kind. It says it wants to be free to respond to changing climates of opinion. But if a decision-making body doesn't have clearly-delineated criteria, it's impossible to discuss the issues with them."

From another viewpoint, as Stevenson himself adds, such discussions may be obsolete, anyway, in a year or two. The technology of media delivery - by satellite to your TV, by telephone to your computer - is leaping so far ahead of the resources of media monitoring that the BBFC might well be readying itself now to hang up its scissors and red pencils.

Ferman nods in stoical recognition of the reality. "What do we do if *Death Wish 2* or *Henry: Portrait of a Serial Killer* is pumped in uncut from somewhere over the Atlantic? Do we prosecute BT for carrying the signal down its cable wires?"

If the BBFC is, finally, defeated by technology, are there resources left elsewhere to fight corruption? Ferman joins Stevenson in championing the role of media studies as a way of building critical defence mechanisms into the viewer himself. "I think it's the only hope," Ferman says. "You have to create a society in which our schoolchildren can survive in a media-saturated world, where there's less and less chance for intervention."

For Stevenson: "It's the key to a lot of worries. The more you understand the mechanisms and the way people create movie images, the more you can regard them as just another communication system."

The danger with media studies, of course, is that the power to censor changes to the power to censor, and that power is put in the hands of another unpredictable bunch of opinion-formers: school teachers. Some sceptics about censorship think today's real threat to screen freedom and artistic self-responsibility comes not from the sex and violence arena but from the storm-troopers of political correctness.

Says Paul Schrader, whose movies as writer or director have been lightning rods for controversy, from *Taxi Driver* to *The Last Temptation of Christ*: "We live in an age when people tend to whine and take a grievance and blame somebody else for their problems. We have this heightened sensitivity that people's 'rights' are being violated and you've got to be fair to every party or minority. It's as if everyone has shed their thick skins as some kind of evolutionary stage. The old censorship war was sex and violence versus moral authoritarianism. Today, I think more and more, it's individual freedom versus group dogma."

New times, new scares. The only certain thing about censorship is that deep down many people, including liberals, would hate it to go away. For what is self-expression without the battle to self-express? Schrader again: "Free-spirited people are always in the minority. That's the way it should be. I'd hate to live in a world where they were in the majority. What gives freedom its value is the fight to gain and to define that freedom."



## The dissident who reckons there's nothing to be done

IF VLADIMIR Bukovsky cannot be president of Russia, he will have no more to do with it. It is the last straw. "After all," he says, "even in the country which I have made my home and which owes me nothing (Britain) I can be anything I want except the king of it."

Bukovsky is one of the handful of dissidents, expelled from the Soviet Union in the early 1970s, whose prominence grew in exile (in Cambridge, as a don) and who have returned when the power which threw him out collapsed. He has tried to take an active part in the new politics but, in Moscow recently, he told a round table of intellectuals and politicians that "the more I return here, the less hope I have of its reform."

Bukovsky earned the right to speak the hard way: arrested and given a 12-year sentence in prisons, camps and mental hospitals in 1961 for attending the reading of a poem on Mayakovsky's suicide 30 years earlier. The poet, among the greatest of the literary enthusiasts for Soviet power, committed suicide when he could no longer fit his Bolshevik idealism to the tortuous path being taken by Stalin towards complete power.

In his memoirs, published in English as *To Build a Castle*, Bukovsky speaks of his generation (or that tiny idealist part of it) reacting to the invasion of Hungary in 1956 with a feeling of betrayal: "We no longer believed anyone. Our parents turned out to have been agents and informers, our military leaders were butchers."

He still believes in no-one in the former Soviet Union. Professing a complete lack of illusion in the reform process, he sketches out an impoverishing, disintegrating and dangerous future for the country of his birth. The objection that he cannot be president - because of a clause in the draft constitution (78) which denies that right to anyone who has not resided in Russia for the past 10 years - is less an indication

of presidential ambition than a view that the current authorities are almost as scared of those with a moral position as the old ones.

"They are the old apparatchiks in new clothes, after all. They cannot really change. I have said many times here - to undo the effects of the revolution you need a revolution, and there has not been one."

Another sign of the times: "Oleg Kalugin (a former KGB general turned publicist) wrote in the *Mail on Sunday* that he had been instrumental in developing the poison and the method of killing (Georgy) Markov (the Bulgarian dissident in exile in London). It was tested on a horse and the horse died. It was tested on a prisoner and the prisoner did not die. (Apparently Soviet

prisoners are stronger than horses, which did not surprise me). Now - not a word of regret."

"We are seeing a reaction already, a sluggish reaction at every level of power as the bureaucrats extend their authority. And the people round Yeltsin are usually not competent, and terribly provincial. They know nothing outside of their specialism or their district, nothing."

He sees salvation nowhere. Yegor Gaidar, the former prime minister and now one of the leaders of the liberal-conservative wing of Russian politics, achieved little in the way of economic reform because "he followed shock therapy, the Polish model of liberating prices, which was all right for Poland where there was already a large private sector. But (in Russia) it meant the enterprises simply put up their prices and cut production and no-one could stop them. They should have been privatised first - so obvious."

Yet for the economist and politician (and self-announced contender for the presidency) whose strategy this is - Grigory Yavlinsky - Bukovsky expresses more contempt than for "clever but too bookish" Gaidar. "Yavlinsky is nothing but a self-publicist who uses his talent for getting known." And for Professor Jeffrey Sachs, the main foreign influence on economic reform, the same strictures.

"All these people were brought up in the old system. They may have read good things but it would be better had they simply lived in England and had to pay taxes and buy food and pay the rent. Then they would have felt what a free market was like." Bukovsky thinks Boris Yeltsin, the new finance minister, who spent almost two years in London at the European

District sitting around one day. One says: "Are they paying you anything?" The other says: "No, nothing." So they say: "OK, who needs them (in Moscow)? And so, with the political leaders, they make a republic. For the people in the far east it would be very attractive: they could give the Japanese back these four stupid islands they want (the Kuriles) and get a lot of Japanese help."

"The fact that they are all Russians won't be enough in the face of economic necessity. This inflation makes it more the case. So you will get them printing their own money to try to stop the inflation. And if you print your own money it is only a step to having your own central bank, your own government, your own country. And if you had a country which bordered on Sakhalin (now called the Republic of Sakhalin), which is fabulously wealthy in diamonds, it would be too much temptation not to send some soldiers in there and get some of the diamonds for yourself."

"Soon there will be no national services or culture: they will not pay for them. Even now they cannot pay for communications, railways, roads, and do you think the rest of the country will continue to support the Bolshevik (Theatre)? Yeltsin cannot keep it together. People think he is strong and decisive because he acts well in a crisis and he looks tough: actually he cannot take decisions and compromises all the time. When people were burning their party cards in the streets it took him months to decide to leave the party."

"Look how he hesitates to take the initiative against the parliament! He has a fear of being blamed for acting in an authoritarian manner - because of his past, when he

was part of such a system. But no leader from outside that system would have paused for a moment to do what has to be done."

He repeats himself. "This is not a democracy. Norris McWhirter (publisher of *The Guinness Book of Records*) once told me what it was. He said there is a word for Russia. It is a kleptocracy. Everyone steals everything. In a paper I did for a company, I was hunting for a parallel state to Russia and I found it: it is Nigeria. All the business is concentrated in the capital, and it is fantastically corrupt. Yet you cannot say it is not a democracy sometimes: you cannot say it is not a market economy."

Bukovsky worked for some part of last year in the archives of the Central Committee of the Communist Party - opened then to scholars and the curious, now closed once more. There he found sustenance for his long-held belief that the CP and the KGB had, especially in the era of *détente*, gone a long way to subverting the liberal and left parties of the west.

"It was the old story: the Menchikovs and the Bolsheviks. The Menchikovs always believed that you could bring them back into the fold, convince them you don't have to use these terrible methods. These illusions persist."

The contemporary illusion against which Bukovsky still attempts to tilt is the western belief that its fear of an imploding Russia can be exorcised by throwing money at it. "If there is one thing you should say, it is: don't give them the money! Don't do it! The west gave billions to Gorbachev and it is impossible to find a single dollar of it. Where did it go? And this will go the same way. It will just disappear."

What is to be done? "Nothing. Nothing to be done. Maybe in some years the country will come together again. The various parts will federate. Maybe. But to stop what is now happening - nothing to be done."

Look how he hesitates to take the initiative against the parliament! He has a fear of being blamed for acting in an authoritarian manner - because of his past, when he

John Lloyd is confronted with a bleak view of Russia's future when he meets intellectual Vladimir Bukovsky, a Soviet exile

As they say in Europe/James Morgan

## Red wine equals red-blooded rugby

READING newspapers on holiday is often a disappointing experience. *La Montagne*, in the Auvergne, made one look hard for the Paris papers to find something that did not read like a freeshoot, yet cost almost as much as the FT. Luckily, south of the Loire, there is that great consolation, *Midi Olympique*.

This is not the first time I have been entranced by *MO*, the greatest sporting weekly in the world. Its sole concern is rugby union and so, naturally, it is published in Toulouse. Its appearance is unusual: a large broadsheet of hugely unattractive yellow paper. The masthead is unchanged from the day of its foundation in 1919. It represents an aspect of popular French (and, therefore, European) civilisation that has been ignored for too long.

My first holiday edition of *MO* splashed the headline: "Un Week-end très musclé." The story revolved in the sendings-off, injuries and spectacular examples of dirty play that had characterised the first round of friendly matches

that precede the official opening of the French season this weekend.

*Midi Olympique* adopts a vigorous, macho approach that makes John Wayne seem like Woody Allen. To followers of the game in other nations, the fascination of French rugby is its beauty-and-the-beast quality. Brilliant ball skills are, somehow, allied to devil-may-care brutality.

The only other nation to have produced a similar combination is South Africa, which might help to explain why the resumption of sporting contacts between the cockerel and the springbok has had such a devastating effect on relations between the two countries.

The edition of *MO* which prompted such musings answered other questions rugby fans have pondered for years. How, for example, did the game come to flourish in southern France, between the Alps and the Atlantic, particularly in the deep south-west? Why is its social infrastructure so different from the country from which it was imported?

*Midi Olympique* published extracts from a survey of the "political geography of rugby" in which one authority observed: "Often aristocratic, but almost always bourgeois or university-led in Scotland, England and Ireland, working class in Wales, rugby in France remains essentially local

'A vigorous, macho approach that makes John Wayne seem like Woody Allen'

and the worthy offspring." Geographically, French rugby coincides with strongholds of the left, with the League d'Oc, as opposed to the official French of the north. It is republican and often peasant. The great player of years ago, Amédée Doinne, proclaimed: "Boggy votes left." Hence the gulf between French and English players and fans, bridged only when the occasional Englishman goes off to run a bar

in the shadow of the Pyrenees. In its urban manifestations, French rugby coincides with one-industry towns where the club becomes another centre of local cohesion. The report quoted in *MO* said the backbone of any team is found in "teachers, farmers, municipal officials and barmen, where intellectuals, like the bourgeois, have only a modest role (as distinct from the Anglo-Saxon countries)." If the British monarchy formed its officers with the help of the strict education provided by rugby, the republic filled its strongholds of the south-west with the great grandsons of the Third Estate of 1789 and the studious pupils of the "black Hussars of the Republic!" In other words, republican teachers.

Anybody who finds this hard to grasp has only to turn to a column of local news: "Marriage at Narbonne-Corbieres club." The story runs: "On Saturday August 4 at 4pm, there were joined together at the church of Marcourignan the scrum-half Michel Barbaste (the new Narbonne manager) and Nathalie Belzons, daughter of the former Narbonne player André Belzons who runs, with his wife Nadine, the Narbonne clubhouse and bar at the Cassayet ground. The bride's brother is the present Narbonne number eight, Gilles Belzons, who follows in his father's footsteps." Even a Welsh newspaper might have offered a sympathetic gesture to the bride.

The last edition of *MO* to appear during my holiday revealed more evidence of the roots of French rugby. An official had drawn up a regional league table which showed where the best rugby was played. At the top was Midi-Pyrénées, at the bottom Brittany and Normandy.

A thought which must have struck others suddenly struck me: the league table reflected the relative importance of red and white wine. The less red, the lower the quality of the rugby. No wine means no rugby, except in Paris. English rugby runs on beer, of course. As everyone knows the grape and the grain do not mix. James Morgan is economics correspondent of the BBC World Service.

## Twist and squirm

Michael Thompson-Noel



I HAD MY final chess lesson yesterday in preparation for the world chess championship tussle between Britain's Nigel Short and Russia's Garry Kasparov which starts in London next week. As usual, the lesson was conducted by Nigel himself, and once again I was accompanied by two friends: Queen Elizabeth II, head of the House of Windsor, and John Major, prime minister (just) of Britain.

During these lessons the Queen has emerged as a superb chess strategist who moves with airy grace through the upper mental atmosphere inhabited by grandmasters of Nigel's calibre.

But John Major cannot hack it. The man cannot concentrate. He is superficially competitive, but that is not sufficient. He is easily befuddled. His play is laborious. He attacks the wrong pieces. He throws the game away. We have been most disappointed. But we have endeavoured to be kind to him because his struggles in the real world - the crises and the cock-ups, the way people laugh at him - have wrecked his confidence and made him look haunted.

Yesterday we discussed the finer points of Nigel's own preparation for the match.

"One has read, Nigel, about your work-outs with your trainer, Mr Kavalet," said the Queen, "and your tireless search for weaknesses in your opponent's game. So what can we look forward to - what secret moves and stratagems will you use to slay Kasparov the Barbarian? One is counting on you, Nigel, to restore some credibility, plus a soupçon of glamour, to one's slightly rocky reign. One despairs of one's children. One is putting one's faith in you. You deserve to win, Nigel. And always remember: *le fruit du travail est le plus doux plaisir*."

"Oh, right," said Nigel. "Absolutely, yeah. It's really a matter of

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style, you know, of trying to steer the game towards a style that suits me, or steering it towards a style that is uncomfortable for him. Or both at once, preferably. It's actually quite tricky. But life is treating me good right now. I am extremely well and happy. I am resisting all distractions. And I want to kill Kasparov. I really really hate him. He's nothing but a monkey - those horrible dangling arms and all that revolting chest-hair. He works out with dumbbells. He can lift his own bodyweight, 80 flipping kilos. God, how I hate him."

The Queen rattled with laughter. Her tiara twinkled and shone. But John Major started to tremble. Greyness suffused his face.

He said: "I am not sure, Nigel, if you shouldn't try to restrain yourself and downplay any natural antipathy you might feel towards your opponent. In my experience most people are perfectly decent sorts once you get to know them, and there are considerable advantages to be gained from not making enemies."

"But he is my enemy," said Nigel. "Top-level chess is all about hatred. The moves are incidental. It's about pulverising your opponent. Stomping on his face. Making him scream in agony. Watching him twist and squirm and cry out for mercy as you destroy all his brain cells and smash all his teeth and chop both his arms off. I'm going to kill that monkey."

"Nigel," I murmured. "You should drop this monkey business. Find some other insults. The reason I say this is that there is a move afoot in scientific circles to reclassify the great apes - chimpanzees, orang-utans, gorillas - as people. People with basic rights. This is because of their extreme biological closeness to humans and their sophisticated mental abilities."

"They can communicate, you know. Tell a trained female chimpanzee in sign language that her baby is dead and she will cry, Nigel. Very soon jokes about apes will be as tasteless as jokes about slavery or - I searched for something topical - 'Rupert Murdoch. A few years ago Murdoch looked washed up. He was teetering on the brink. Now he's OK, though. He's being called a visionary because of his success in satellite TV.'"

The Queen pursed her lips. She abhors the Dirty Digger. John Major was terrified. He lives in mortal fear of him. But Nigel looked thoughtful. It is *The Times*, after all, one of Murdoch's rags, that has raised £1.7m in prize money for his match against Kasparov.

"All right," said Nigel grudgingly. "I'll drop the monkey jokes. But I'm still going to murder him, the flipping little git."